Columbus project: Europe's bold bid for space, Page 2

No. 30,416

EUROPE'S BUSINESS NEWSPAPER Wednesday December 16 1987

D 8523 A

Ugandan clash

World News

spreads

Kenya began moving thousands of Ugandan refugees from its border area with Uganda as righting between Ugandan solfighting between Ugandan sor-diers and Kenyan security forces spread along their closed frontier for the second successive day. Kenyan sources, fearing raids on the refugee camps, said the clashes had extended from Busia

The crew of a Greek tanker abandoned ship in the southern Gulf after it was machine-gunned by Iranian gunboats then attacked by an Iranian frigate which opened fire with a live-

East-West spy swap West Germany would hand over three convicted East German spies to East Germany today in exchange for "a significantly higher number" of West German agents held by the communists,

Soviet workers' demo : Workers at a car plant in Yaros-lavl, north-east of Moscow, won concessions from their manage-ment after staging a protest against working extra shifts.

SDI split 'remains' The Soviet Union confirmed that fundamental differences remained between Moscow and Washington over the development of space-based defence systems. Page 4; Gorbachev Nicaragus offer, Page 20

Greek general strike Domestic and foreign airline flights were cancelled, schools and some banks were closed and public services were disrupted as hundreds of thousands of Greeks staged a 24-hour general strike for higher pay and a shorter working week. Page 2

22,846.73 in slightly higher volume of 512m shares compared with 325m the previous day. Advances led declines by 452 to 427, with 155 issues unchanged.

427, with 156 issues unchanged.

DOLLAR closed in New York at DM 1.6315; FFR5.5295;

Storm leaves 22 dead A vicious storm raked the Mid-western United States yesterday, leaving at least 22 dead. Airports and schools were closed and power lines torn down in blind-ing snow driven by winds gast-ing to 75 mph.

Peach fraud suspects Italian police arrested 11 people in the Naples area on suspicion of fraudulently trying to obtain EC subsidies for processed

2.5

....

Trade barrier plan The West German Government drew up a six-month plan to dismantle more than two dozen barriers to free trade in the European Community. Page 3

Athens fights pollution Cars will be banned from Athens' centre, buses will have spe-cial exhausts and the number of taxis will be halved to reduce-pollution in Athens, regarded as one of the most smog-ridden cap-itals in the world, the govern-

Explosives chief quits Guy-Jean Bernardy, head of France's state-owned SNPE explosives company, resigned after allegations that the company sold more than 1,000 tonnes of its products to Iran.

Reindeer toll

Norway's Lapps must this Christ-mas destroy about 8,000 reindeer contaminated with radioactivity from the Chernobyl nuclear disester in May 1986, researchers said.

Record UK bank loss with Kenya expected at Midland

Business Summary

MIDLAND BANK's financial results for 1987 will show what is expected to be the largest loss ever suffered by a UK clearing bank. The figure will stem from an about-turn, announced yester-day, in the bank's proposed treatment of its provisions for doubtful Third World loans.

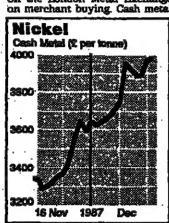
Poles lift prices

The Polish Government announced that food prices would rise by an average 40 per cent next year, following the Government's failure to win public support in a referendim last month for more sweeping ansterity measures. Page 20

Tanker about the month of the country of the

TEXACO, US oil group which sought refuge in the bankruptcy courts from a \$10.3bn jury awards of damages to Pennzoil, may be forced to dispose of assets and open itself to takeover as the result of a \$5bn plan to lead the company out of bankruptcy. Page 21

NICKEL prices continued to rise on the London Metal Exchange on merchant buying. Cash metal valley were on alert yesterday amid reports of fighting between Israeli troops and Moslem guer-rillas barely two miles to the



gained 55 to finish at \$3,985 (\$7,292) a torme, following Monday's 581 gain. Commodities,

WALL STREET: The Dow Jones industrial average closed up 8.62 at 1941.48. Page 48

Bangladeshis freed

Bangladesh freed more political detainess and lifted a ban on ralices on the eve of a public holical day in an effort to mollify opposition campalgners trying to topple President Ershad.

LONDON: Internationally traded blue chips took heart from overnight strength on Wall street to lead London equities higher from the opening. The FT-SE 100 index closed up 17.4 at 1,670.0. Details, Page 38

TOKYO: The Nikkei average fell 79.55 points from Monday to

DOLLAR closed in New York at DM 1.6315; FFR5.5295; SFr1.3800; Y127.65. It closed in London at DM1.6310 (unchanged); FFr5.5275 (FFr5.5800); SFr1.3280 (Sfr1.3275) and Y127.55 (Y127.95). Page 29

STERLING lost ground in very thin trading yesterday. It closed in New York at \$1.8300. It closed in London at \$1.8310 (\$1.8365); DM2.9875 (DM2.9960); FFr 10.12 (FFr10.1550); SFr2.4325 (SFr2.4375) and Y233.50 (Y236.0) Page 29

MEXICO is using cheaper imports, or the threat of them, as the cornerstone of its fight against inflation, now running officially at 144 per cent annually. Page 4

Japan's largest trading company, increased group net earnings by 7.2 per cent in the half year to September to Y16.045bm, or Y10.31 a share, from Y14.968bn, or Y10.90 a share, a year earlier. Sales rose by 3.1 per cent to Y6,377bn. Page 22

USX, Pittsburgh-based industrial group, which is the largest US steel producer, said it was launching a campaign to capture export markets for steel products opened up by the tumbling dollar and lower production costs. Page 21

WARDLEY THOMSON, one of Hong Kong's leading futures brokers, which is a joint venture between Wardley, the Hong Kong Bank subsidiary, and Thomson McKinnon of the US, lost at least HK\$00m (US\$11.6m) following the near-collapse of the local futures exchange in October. Page 22

Japan unveils \$2bn Asean aid package

JAPAN yesterday unveiled The aid package underscores details of a \$2bn aid package for Japan's deepening commitment the Association of South East to South-East Asia and reaffirms

the Association of South East
Asian Nations at the conclusion
of the organisation's first summit
for 10 years, Roger Matthews
and Richard Gourlay in
Manila write.

Mr Noburo Takeshita, the Japanese Prime Minister, told the
leaders of six Asean countries —
Thailand, Malaysia, the Philippines, Indonesia, Brunei and Singanore — the three-year loan gapore - the three-year loan fund would be aimed at promoting private-sector joint ventures between Japanese companies and companies in Asean coun-tries. More than half the loans would be in the form of overseas development assistance.

SYRIAN forces in the Lebanese

town of Mashgarah in the Bekaa

south.

Both the Israelis and Syrians,

however, appeared anxious to avoid a direct conflict in the

area, which is deep inside southern Lebanon and north of

the Israeli security zone, amid fears that a clash could escalate into war.

The Israeli troops were said to have engaged in a fierce clash following an armoured thrust northwards towards the Bekaz valley, which is controlled by

Syrian forces.
In the face of eyewitness

reports of engagements in Leba-non, however, Israeli army spo-kesmen were still insisting last night that the events in the area

These denials notwithstanding.

there was speculation that after

there was speculation that after days of mock raids, Israel might have begun the long-threatened retallation for the Palestinian guerrilla attack on an Israeli army base three weeks ago — in which six soldiers were killed. In apparent preparation, an emergency call-up of a class of israeli reservists, to report to the Lebanon border area, is under-stood to have taken place on Sunday night.

INTERNATIONAL condem-nation of Israel over its handling of the continuing violent disturbances in the

occupied territories grew

yesterday, as troops shot dead at least two more Pal-estinian demonstrators in the Gaza Strip, our Jerusa-lem Correspondent writes. Reports from Gaza said

Sunday night.

Tokyo's position as the predomi-nant economic power in the

launch an investment fund for all six countries in the region, including oil-rich Brunei and experts' group to be chaired by Singapore, but most of the funds would, in practice, go to the four gested the impetus for further existing bilateral assistance with interest rates similar to those applied to ordinary Japanese aid.

Israel denies raid on

West Bank

Lebenese security officials said the targets of the Israeli incur-

sion appeared to be a trio of large, widely-separated villages in the southern part of the

These were named as Meldoun,

KfarHouneh and Ein al-Tineh, about 14 miles due north of the

about 14 miles one north of the Jeraell frontier.

As panicky reports spread throughout conthern Lebanon that a fresh Israeli invesion was underway, hundreds of Iranian-backed Hezbollah guerrillas and

dents, bringing the Palestin-lan death toll in the past week to 12.

Scores of others have received bullet wounds. Government sensitivity to the chorus of foreign criticism, led by the US and France, is becoming increasingly evident.

Mr Yitzhak Shamir, the

International condemnation

of Gaza violence increases

Strip

Lebanon

Jordan

Lebanon as Syrian

troops go on alert

to South-East Asia and reaffirms borrowing in sharply appreciation as the predoming yen. Japanese officials yesnant economic power in the terday recognised this concern and said details on the issue had yet to be worked out.

larger and needler countries.

The fund will supplement from the Asean countries. The bulk of the funds are to be directed at small- and medium-sized companies, but Japanese In some cases, however, the rate officials did not rule out financ-will be 0.5 per cent below the ing for large industrial projects. current 3 per cent, in response to strong Asean pressure.

Mr Takeshita's first visit abroad as Prime Minister was a

members of the pro-Syrian Amal

militia were mobilised.

Residents of the Bekaa valley

said the area was calm later after clashes.

It was from the southern Beksa, a stronghold of the Hez-bollah organisation, that four

motorised hang-gilders manned by radical Palestinian fighters took off on November 25 in an

Israeli policymakers were placed in a difficult position this

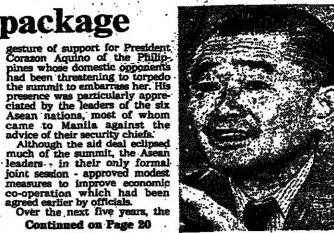
turbances, and reportedly discussed with other politi-cians the possibility of ban-ning foreign journalists from covering the distur-

In the midst of the worst disturbances for many years in the West Bank and Gaza, Army Radio - which has a wide circle of listen-

had been threatening to torpedo
the summit to embarrass her. His
presence was particularly appreciated by the leaders of the six
Asean nations, most of whom
came to Manila against the
advice of their security chiefs.
Although the aid deal eclipsed
much of the summit, the Asean
leaders. in their only formal leaders in their only formal-joint session - approved modest measures to improve economic co-operation which had been agreed earlier by officials.

Over the next five years, the

Continued on Page 20 Joint ventures, Page 5



Ford discusses joint ventures in Soviet Union

BY ANATOLE KALETSKY IN NEW YORK

audacious night-time raid against Israel.

The success of the attack has been cited by Israeli leaders as one of the causes of the wave of one of the causes of the wave of disturbances during the last week in the West Bank and Gaza, which have already claimed more than a dozen lives and show no sign of abating.

Israel had been urged strongly by the US and other foreign governments not to retaliate for the hang glider attack against targets identified with Syria.

Israeli policymakers were

FORD the largest US car manufacturer, has been approached by the Soviet Union to discuss a "large range of possibilities" for automotive joint ventures.

Ford said yesterday that the discussions had reached only "a very preliminary stage."

A company official added, however, that joint venture opportunities in the Soviet Union could become increasingly serious if there were signs of a continuing improvement in relations between the two countries after the Soviet Union since the late after last week's Washington

Mr Poling also said that the Soviets might also be interested in Ford's tractors.

He emphasised, however, that there were "great political risks involved in trade with the Soviet Union,", citing the possibility of US boycotts such as the one which interrupted nearly all commercial relations between the two countries after the Soviet Invasion of Afghanistan.

Ford has not been involved in joint venture discussions with the Soviet Union since the late after last week's Washington

continuing improvement in relations between the two countries after last week's Washington summit.

Mr Harold Poling, Ford's vice-that Ford take payment on its chairman, said in Detroit that the Soviets had expressed interest in setting up joint ventures to assemble cars and also to manufacture components.

Ford officials believe that the charges of tampeting with the soviet Union since the late above the Soviet insistence that Ford take payment on its share of the project in the form the Soviet insistence that Ford take payment on its share of the project in the form the Soviet Union since the late above the Soviet Union since the late above the Soviet Union since the late above the Soviet Union since the Soviet Union since the Soviet Union since the late above the Soviet Inside the Sov facture components.

Ford officials believe that small cars, possibly based on the component feets, as well as medium-sized cars similar to the Scorplo, might be sultable for the Soviet market.

a no-contest plea on criminal a charges of tampering with the odometers (mileometers) on some of its newly delivered vehicles. The vehicles had been used in a testing programme before being sent to dealers.

Texaco plan may force assets sale

placed in a difficult position this week by the public acknowledgement of General Mustafa Tlas, the Syrian Defence Minister, that Damascus had indeed been behind the incident.

Any israeli military threst into Lebanon, where israel and Syria have long competed for paramountry, would almost certainly have to have been cleared beforehand with Washington. which sought refuge in the bankruptcy courts from a \$10.3bn
lury award of damages to Pennzoil, may have to sell assets and
face a takeover following a \$50n

face a takeover following a \$50n Violence sweeps 'forgotten' Gaza, Page 4 plan to lead the company out ofbenkruptcy.

The plan, agreed late on Mon-day between Texaco's creditors and several big stockholders, includes a \$3bn cash payment by the end of March to settle the four-year dispute with Pennsoll.

However, Texaco has attacked provisions of the plan which severely restrict its manage-ment's freedom to decide financ-

TEXACO, the US oil group ing for the deal and operate the

borrowings and finances the Pennzoil payment through the sale of assets, including its Canadian subsidiary. The sharehold-taken up his ideas or emerged as ers committee is also demanding a clear leader.

I have a sense of new directions of page ideas that a big minority of seats on the board and a lifting of anti-take-

Gary Hart re-enters race for the White House

By Lionel Barber in Washington

MR GARY Hart, the former Colorado Senator forced out of the 1988 US presidential campaign by a sex scandal seven months ago, re-entered the Democratic race for the White House yester-

day.

Mr Hart's long-shot comeback mr Hart's long-shot comeback caused consternation among his supporters and opponents as well as political pundits, who said his campaign debts and lack of national organisation would make a successful bid for the presidency impossible.

Some commentators said Mr Hart's re-entry would further fragment a Democratic race where no clear favourite has



Gary Hart: 'New ideas' emerged among the six candi-

However, Mr Hart, 51, told chanting supporters in Concord, New Hampshire: I believe I rep-resent a brand of leadership that draws its strength from indepen-

Mr Hart has been searching for a public role since May when, five days after a newspaper reported he had spent the night alone with a 29-year-old model, Donna Rice, he withdrew from

the Democratic race.

Mr Hart was the front-runner for the Democrats until his with-drawal. He was helped by his successful "New Ideas" campaign in 1984 when he almost best Mr Walter Mondale, former vice-president to Mr Jimmy Carter, for the party's nomina-

Mr Hart said he was re-enter

tion and a set of new ideas that over provisions.

The suburban New York one else represents," he said.

group, which was found guilty in Mr Hart said his wife, Lee, and group, which was found guilty in the Texas courts of interfering with a Pennzoil contract to buy part of Getty Oil, says it still Continued on Page 20

We Hart said his wife, Lee, and his childen - all present in New Hampshire yesterday - supported his decision and he acknowl-Continued on Page 20

that as many as four youths may have been killed yes-terday in separate inci-Prime Minister, publicly defended the use of live ammunition to quell the disers – yesterday led its main evening news programme Continued on Page 20 Oil prices hit lowest levels as markets weigh Opec accord

ment.
They had hoped that divisions between the Arab members would not have proved so deep as to prevent Iraq from joining the output pact. One trader described the new quots, which put a 15.06m b/d ceiling on the output of the other 12 members, as 'the status quo with window dressing'.

Market participants are aux-

OIL PRICES fell to their lowest could occur at the beginning of bility of about 2.7m barrels a

dressing.

that Iraq might cut its production ment conflicted with reports that tion, which has recently been the arangement had been phased ious that a sharp fall in prices

OIL PRICES fell to their lowest levels for nine months yesterday as the oil markets weighed the consequences of Monday's effective agreement by the Organisation of Petroleum Exporting Countries on quotas and prices. In London the price of Brent crude fell by 70 cents to \$16.05 a barrel, representing a fall of about \$1.50 cents since the agreement was reached. Oil traders agreed that the meeting, which agreed to extend production quotas and to about 17.5m barrels a day. Sheikh Ali Khalifa al Sabah, kuwait's Minister of Oil, said yesterday before his departure from a typically bruising meeting. However, I hope they (the Iraq's) will exercise restraint. Iraq's chief delegate, Mr Issam Abdul-Rahim al Chalabi, is understood to have given the expressed confidence that price levels could be restored if members restricted their collective agreement was reached. Oil traders agreed that the meeting, which agreed to extend production can day. Sheikh Ali Khalifa al Sabah, Kuwait's Minister of Oil, said yesterday before his departure from a typically bruising meeting. I am not expecting any-thing, However, I hope they (the Iraq's) will exercise restraint. Iraq's chief delegate, Mr Issam Abdul-Rahim al Chalabi, is understood to have given the expressed confidence that price levels could be restored if members restricted their collective agreement was reached. Oil traders agreed that the expressed confidence that price levels could be restored if members restricted their collective agreement was reached. A major flaw in the agreement is the continued refusal of Sandi and observed official selling and observed price would restore the price towards the offical level. Sandi Arabia and Kuwait both expressed confidence that price levels could be restored if members restricted their collective output in line with the quotas, and observed official selling arabia and Kuwait to regard output from the Neutral Zone, the agreement lasts shared between them, as part of their quotas. Nazer, Saudi Minis-Although the agreement lasts shared between them, as part of until June, Oper's five-man pricting committee has been instructed to call an extraorditer of Oil, said yesterday the nary conference if they observe agreement whereby the two process that would affect the price stability." Members also expressed hope that Irao might cut its produc-

CONTENTS.

Europe ... America ... tro-options Inancial Futures 28 Intl. Capital Markets ... World Trade .6-10 Noney Markets .. Britain ... 25-27 Stock markets - Bourses Companies .. 23-37.40 17 Westber 12 World Index



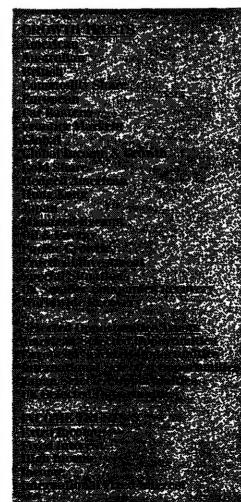
PROTESTS AS BONN CALLS MEDIA TO HEEL

Franz Josef Strauss, leader of the conservative CSU, is at the centre of the media controversy, Page 2

Paragnay: Where the hint of corruption is a fact of life Trade: US-Israeli deal starts to show South Korea: A nation on the brink of giants' grasp ... Turkish banking: Survey Section III

Channel Islands: Survey Section IV

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Gartmore Fund Managers Limited - Gartmore Trust Management Limited Gartmore House, P.O. Box 65, 16-18 Monument Street, London EC3R 8QQ. Tel: 01-623 1212. Peter Marsh reports on the European Space Agency's ambitious programme

UK shuns Europe's starry-eyed space plans

tion European Space Agency to spend some \$13bn (\$7.1bn) by the end of the century on an ambitious series of manned

The programme is strongly supported by France, West Germany and Italy, which are Western Europe's three biggest spenders on space science and technology, but has been shunned, at least for the time

being by Britain.
The UK argument is that manned space projects make lit-tle sense commercially and are driven largely by prestige. Brit-ish officials appear, however, to ish officials appear, nowever, to have been surprised by the degree to which the UK has been isolated from the other main European countries.

One outcome of the UK Government's decision to stay on the

sidelines of the new programme is that Britain's aerospace industry will be barred from all but the most minor contracts related to the manned projects.

This is because under ESA

rules contracts are awarded to companies in specific countries

THE DANISH Government yesterday renewed its commitment, going back to 1982, to prevent real increases in public expendi-ture. This follows a deal with the

opposition last week to facilitate

the passage of the 1988 Finance Bill. The deal will increase

expenditure next year by DKr2.4bn (\$206m), mainly in the form of increased old age pen- a modest DKr2.5bn, or 0.3 per

Marriott's Law:

if something can go right, it will.

At Marriott hotels we work to your

ahead after the ESA decision.

As a result of the government backing, MBB will become the lead contractor for the laboratory, which is due to plug in to a US-led international space station planned for the 1990s.

Work on the \$4bm Columbus is due to begin in the new year, with up to 100 aerospace companies around Europe employed on the project as subcontractors to MBB.

"EUROPE expects to be on top in industry and so it needs to invest in technology. The alternative is an agriculture economy."

It is with these sentiments that Mr Sami Gazey, a senior manager at Messerschmitt-Boelkow-Blohm, the West German aero-space company, greeted last month's decision by the 13-nation European Space Agency to Spand some \$135m (\$57\$ lbn) by the \$13-nation to become useful."

It is with these sentiments that market in the 1906 in the mation's government is supporting the particular protocology. The alternative is an agriculture economy."

Mr Gazey of MBB is happy because West Germany has agreed to contribute 38 per cent of the cush spent on contribute 38 per cent of the cush spent on agreed to contribute 38 per cent of the costs of Columbus will pay off in terms of new materials that are likely to take the lion's share of the work on the improved Ariannel launcher, to be called Ariannel launche ticals, semiconductors and metal-may miss out through taking too working. Another possible narrow an approach to space spin-off is snapshots of the Earth technology. "Hermes is the first

One outcome of the decision to stay on the sidelines is that Britain's aerospace industry will

sions and higher unemployment benefits.

"These are one-off incresses. It is essential to continue the policy of previous years - an unchanged level of expenditure," said the Ministry of Finance annual budget survey.

The 1988 budget deficit will be about DKr 263bn, compared with a predicted deficit of DKr1.6bn when the draft budget was published in August. Total expenditure, including interest on the national debt of DKr54.1bn, will reduce wase costs by 5 per cent for export industry. The shortfall in revenue will be national debt of DKr54.1bn, will be about DKr 263bn, compared with a predicted the competitiveness of export the competitiveness of export industry by 8-9 per cent next including interest on the national debt of DKr54.1bn, will be about DKr 263bn, compared with a predicted the competitiveness of export industry by 8-9 per cent next including interest on the national debt of DKr54.1bn, will reduce wase costs by 5 per cent for export industry. The shortfall in revenue will be partially made up by imposing a new tax of 2.5 per cent of value of the gross domestic product.

Danish Government to hold the line on spending

be barred from all but the most minor contracts

taken from Columbus, which stage to giving Europe the capa-could be used in a variety of bility to organise manned space applications from monitoring activities. The commercial bene-

taken from Columbus, which could be used in a variety of applications from monitoring any to receive about \$550m sites of missel silos.

For the immediate future, the about four times this figure.

In addition to Columbus, the ESA is about to start a \$50n, for the past five years, on interest scheme to build Hermes, a mini space shuttle to service Columbus, and to spend \$40n on an improved version of its existing Ariane rocket, which will carry Hermes into orbit.

Mr Gazey believes that Europe should take a long-term approach to space developments.

The columbus, which are company which expects to be heavily involved in computer and data systems for all three of the ESA projects. He believes that work in space will ultimately "have a significant impact" in purely terrestrial activities, including robotics, and to spend \$40n on an improved version of its existing approach to space developments.

The point is reinforced by Mr Britain's decision not to back any of the manned space activities at office of space act

signed several months ago, but negotiations on the issue are still bogged down over basic ques-tions such as how the station should be managed once in orbit.
For the UK's aerospace industry, the lack of decisions means a prolonged period of nail-biting while it waits to see if its exclusion from the main manned ESA contracts will be permanent.

Mr Bill Bertone a director of

Mr Bill Barbone, a director of Space Ventures, an umbrella group for UK space companies, says he is "a bit disappointed" at Britain's decision not to back any of the manned space

Show of strength by Greek unions

By Andriana lerodiaconou in

DOMESTIC and foreign air-line flights were cancelled yesterday, schools and a number of banks closed, number of banks closed, and public services, including transport and the post office, were disrupted as hundreds of thousands of Greek private and public sector workers staged a 24-hour general strike for higher pay and a shorter working week.

The threat of extensive strike action at the end of November led the Greek Socialist Government to revoke its announced

Socialist Government to revoke its announced incomes policy for 1988, designed to continue a stabilisation programme based on wage restraint launched two years earlier.

Yesterday's general strike signalled to both government and private sector employers that the wage policy concessions granted so far are not considered sufficient by unions and sufficient by unions and will not ensure against

will not ensure against labour unrest.

Additional trade union demands include a reduction of the 40-hour working week to 37% hours, full compensation for an estimated 12 per cent less in real pay during 1986 and 1987 as a result of the economic stabilisation programme, and full index linking of wages.

Portugal to raise taxes by 1%

THE Portaguese Finance Minister, Mr Miguel Cad-ilhe, confidently opened, yesterday's debate in par-hament on the 1988 budget of the majority Social Desa-ocrat government with the presentation of a document-he claimed was "neither expansionist nor restric-tive".

Mr Cadilhe said it was ignorant to call the budget restrictive.

The Government is adding The Government is adding 1 per cent to the 1988 tax burden, raising the average VAT rate from 16 per cent to 17 per cent, and heavily VAT OF tronic appliances in an attempt to curb overheated private consumption. In 1987 this increased by 6 per cent against a government forecast of 3 per cent. Pro-duction grew by 4.5 per

For 1988, Mr Cadilhe forecasts 3 per cent growth in consumption, 8 per cent growth in investment compared with 15 per cent this rear, and 1 per cent growth

in jobs.
Inflation, he insists, will be 6.5 per cent in 1988. It is ending 1987 at about 9.7 per cent. The Government's esolve to peg wage acresses to its forecast has led to some tensions with neeptical trade unions. The unions are already in disunions are already in dis-pute with the administraputs with the administra-tion over proposed labour-law changes, making it eas-ier to sack employees.

Mr Cadilhe forecasts that

imports, because of cooler investment next year, will investment next year, will grow 6 per cent, against export growth of 5.75 per cent. Under pressure from imports from the European Community - notably from Spain with which Portugal has a \$700m deflicit - and costlier energy imports, the trade balance has slid deep into the red with a deficit of \$2.42bn at the end of September, compared with September, compared with \$1.2bm in September 1986. Strong invisibles have kept the current account in

hept the current account in the black, however. At the end of September it showed a surplus of \$690m.

Budget spending in 1988 will be Es2.17 trillion(\$15.8bn), with a forecast deficit of Es476bn - 8.3 per cent of GDP. Most of the deficit is incurred by servicing the enormous accumulated public debt, which is now Es4 trillion. Cuts in allocations to local authorities have produced authorities have produced angry protests in hard-pressed regions.

The Government plans to

be tougher in tax collection after an Ee40bn VAT short-fall due to evasion.

EINANCIAL TIMES Responsible editor: D. Albiao, Frankfurt/Main. Guioliettstrasse 54, 6000 Frankfurt am Main I. Tet. 75960; The 416193; FAX: 722677. The Financial Times Ltd., 1987. PINANCIAL TIMES, USPS No. 199642, guillished daily recent PINANCIAL TIMES, USPS No. 1906-22, published daily except Sundays and bolidays. Use unbestiption rates \$365.00 per annuts. Second-class postage and at New York NY and at additional mediting offices. POSTMASTER, send address change to: FINANCIAL TIMES, 44 East 60th Street, New York NY 10022.

David Marsh reports on two cases of political interference with West German television coverage which have sparked controversy in the last week and underlined a subtle influence exerted by the

Government



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n de

West Germany

Protests as Bonn calls media to heel

leader of the conservative Bavarian Christian Social Union, on ZDF, the second German national television channel.

The interviewer was to have been Mr Klaus Bresser, who is due to take over next April as editor-in-chief of ZDF. He was shunted aside after Mr Strauss took issue with comments made

by Mr Bresser over journalistic passivity towards politicians in general and the CSU in particu-

lar.
The two examples highlight how news editors on both the national channels, the ARD and ZDF, have become progressively less ready to stand up to political pressure in recent years, in spite of clauses in the statutes of both institutions, which are successful. institutions which are supposed to guarantee them freedom from political intrusion.

The Government also exerted sporadic pressure on television during the previous SPD-led administration. But there is general agreement that interference

TWO cases of political interference in West German television news programmes over the East-West missiles accord have camera shots of Mercedes limousparked controversy in Bonn and underlined the subtle influence over the media exerted by the West German Government.

West German television often embarressingly obsequious and reporting of political events of the consists of little more than camera shots of Mercedes limousping at the Chancellor's office.

West German television of the consists of little more than camera shots of Mercedes limousping at the Chancellor's office.

West German television of the consists of little more than camera shots of Mercedes limousping at the Chancellor's office.

West German television of the consists of little more than camera shots of Mercedes limousping at the Chancellor's office.

over the media exerted by the West German Government.

A government declaration by Chancellor Helmut Kohl on the arms deal during peak-time television news last week was branded by the Opposition Social Democratic Party (SPD) as an Broadcasting Service, Mr Wolf East German-style example of political harnessing of the media.

The affair followed on the heels of the last-minute substitution on Monday night of a top television journalist due to interview Mr Franz Josef Strauss, leader of the conservative Bavarian Christian Social Union, on 2DF, the second German also said of journalists' uncritical

also said of journalists' uncritical behaviour in interviews with politicians like Mr Strauss: "The deeper one bends, the better one can be kicked."

can be kicked."

This was enough to spark an angry reaction Mr Friedrich Zimmermann, the CSU Interior Minister in the Bonn coalition, preventing Mr Bresser from taking part in Monday's programme.

Mr Werner Rudoll, chairman of the German Journalists Assoof the German Journalists Association, called the Bresser substi-

tution an act of "censorship." Mr Kohl's broadcast over the missiles deal, which went out as a government declaration rather than as an interview, was also denounced by the main editors of both channels as a breach of media independence.

Mr Hans-Jochen Vogel, the SPD chairman, claimed he was prevented from speaking on television about the disarmament erai agreement that interference vision about the disarmament of her carried out in an indirect way by means of politically-motivated appointments and journalistic self-censorship – has the episode marked the first time increased since Mr Kohl's government came to power in 1982.

Journalists interviewing leading politicians on television are German television.

Hungary takes tough line with loss-makers

BY LESLIE COLITY IN BERLIN

government policy toward loss

making enterprises.

Ganz Mavag, producer of locomotives, oil rigs and other engineering products has accumulated debt of Forints II.5bn (\$134m). As many as 1,500 workers are expected to be made redundant, the company said.

It is the second Hungarian engineering company in a month

It is the second Hungarian as a break of the economy.

It is the second Hungarian as a break of the economy.

The Government had decided the in the future it could not grant loans to insolvent companies. Creditor companies which fail to foreclose on unpaid corponals are to be

ONE OF Hungary's largest englits problems. The management neering companies which is was reorganised and the earn-bankrupt is to be split into seven ings of the new ten top execution January 1 under a tougher tives were directly linked to tives were directly linked to financial results.

Hungary's Deputy Finance Minister, Mr Laszlo Bekesi, said recently that 156 companies and co-operatives had run up more than Forints 8bn in losses in the first three quarters of the year.

Progress in settling their debts
was very slow, he said, and acted
as a break on the restructuring

government "supervision" while the successor companies will fail to foreclose on unpaid corponate to negotiate debt repayments with Hungarian banks.

Lang Engineering Works in Budapest said last month that it would be refloated with the help of Forints 104m from the Government to pay some of its Forints 900m debts. Lang has been given three years to solve

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Chirac postpones debate on Renault status

THE French Conservative Govremain decided yesterday to the Renault bill before the end postpone the parliamentary this month of the current parliadebate on the future status of mentary session, the last before the end tration for making excessive use of the guillotine to speed debate on the future status of mentary session, the last before approval of legislation.

A number of cabinet ministers, including Mr Alain Madelin, the decisie on the ruture status of Renault, the state-owned car group, until next month. The move came in the face of fierce obstruction from the Communist party in an attempt to halt the Renault bill.

The Government now plans to push the legislation through the National Assembly at an extraordinary session which is also due to approve new political party financing legislation. The administration of Mr Jacques Chirac so. He was widely criticised in

Yugoslavia

to seek

IMF aid

on debt

THE Yugoslav Government has

decided to seek international Monetary Fund assistance to help repay its \$20bn foreign debt. The decision has been taken in line with the government's programme to curb inflation and stabilise the economy, and reflects the position of the country's main

tion of the country's main Western creditors expressed in

preliminary consultations.
Yugoslavia is expected to ask
the IMF for new loans, accepting the conditions that are cer-

tain to be attached to them. The move comes barely a year after the country had rejected IMF supervision of its econ-

Officials in Belgrade said that the government had obtained the federal parliament's approval to negotiate concrete terms with the IMF. They added that the most likely outcome would be a standby agreement for one

standby agreement for one-year followed by a three-year extended find facility arrange-ment. The standby credit is likely to amount to \$500m

and a half years of standby arrangements, which many Yugoslavs rejected as interference" in the country's econ-

A return to the IMF umbrella is psychologically difficult and the government has had to swallow its pride, one Western diplomat said.

In addition to the MF help. Yugoslavia hepes to obtain in: 1988 a total of \$600m from the World Bank, including a new

\$200-\$350m over two years, and a \$100-\$150m tranche of

loans for export oriented proj-

with commercial bank creditors until a rescheduling agreement was signed, that being conditional on the IMF giving the green light. The standstill is still in force and may be until well into 1988.

Last year Yugoslavia repaid, and partly prepaid \$1.5bn, and so far this year another \$700m.

so far this year another \$700m. It was warned by international financial institutions that this would create a \$1bn gap in its curent account this year but believed it would get some new money from various quarters, mainly from promised access to financial markets, which did not materialise.

EC-ACP talks

on sanctions

A STANDARD BANK

However, the Communists successfully obstructed the debate by tabling 3,500 amendments, making passage of the bill impossible in the time available.

A number of cabinet ministers, including Mr Alain Madelin, the Industry Minister, and Mr Raymond Levy, chairman of Renault, had expressed alarm during the past 48 hours about the risks of the Renault bill being shelved indefinitely.

Mr Levy argued last Sunday that the bill and the balance elements in the car group's restructuring and its international credibility. Indefinite postponement of the bill risked seriously disquaring the commany at a deli-

The bill will change Renault from a privileged state-owned regie into an ordinary state-controlled company. But, coupled with this change in legal status,

disrupting the company at a deli-cate moment in its financial and industrial turnaround.

After losing FFr27bn during the past three years, Renault is

write off FFr12bn(\$1.2bn) worth of Renault debts to restructure the company's debt-burdened balance sheet.

Mr Levy argued last Sunday that the bill and the balance sheet restructuring were crucial elements in the car group's restriction. The Communists have sought write off.

to turn the debate into a political showdown with the Government. The party has also always regarded the car group as a key symbol of state industry in France and one of the traditional bastions of the pro-Communis

lowing a serious incident on Sun-day at the game between Milan and Rome.

Early in the second half, two explosive fireworks were thrown at the Rome goalkeeper, Franco Tancredi, whose shock was so Tancredi, whose shock was so severe that he suffered a cardisc arrest requiring instant heart massage. This was the third case of fireworks and other missiles being thrown on to a football field in only 11 days, but it is only a part of a much broader spectrum of football violence.

MOVES to counter the depressing phenomenon of football hooliganism were discussed by the Italian football authorities and Mr Amintore Fanfani, the Minister of the Interior, yesterday following a serious incident on Sunday at the game between Milan

Italians

move on

football

But the attack on Tancredi may force the authorities to focus on a problem which, until now, has received a largely nelsonian blind eye. Stabbings and battles between rival fans are a not infrequent feature of the football calendar, but Italians football calendar, but Italians have wanted to believe that such enormities are an aberration and rather distant from the problems which have plagued the British

However, the incident at San Siro in Milan is raising just the same questions about crowd con-trol and social behaviour which trol and social behaviour which have been endlessly debated in the UK. They have an even sharper relevance in Italy because of the huge sums of money needed to sustain the national game and because Italy is hosting the World Cup in 1990.

After Tancredi was felled, some 40,000 people are estimated to have walked out of the Milan stadium, partly in disgust and partly because the result became a foregeone conclusion.

Tancredi has made a swift recovery and police have man-aged to find the 23-year old unemployed man who threw the fireworks at him.

Bonn campaigns to scrap EC internal market barriers hooligans

THE West German Government has drawn up an ambitious sixhas drawn up an ambitious sixmonth campaign to dismantle
more than two dozen barriers to
free trade in the European Community, or make progress

disparities in the rates of VAT

free trade in the European Community, or make progress towards acrapping them.

Bonn has instructed its EC representatives to exert maximum pressure on their counterparts from member states to agree on a range of free internal market measures during the first half of next year. That is when West German campaign will coincide with a renewed effort by the Commission to put pressure on member states to catch up on Brussels' 300-point

member states' main decision-making body.

The campaign is seen in Brus-sels as the last chance for at least a year for the Council to catch up on a worrying backlog of leg-islation aimed at meeting the EC's 1992 deadline for ending internal market barriers.

West Germany hands over the presidency to Greece next summer, followed by Spain at the start of next year. As small and start of next year. As small and relatively new member states they have less power to force through internal market decisions that often touch on national sensitivities. Bonn has prepared a punishing schedule of the contract of the contra five internal market council ses-sions for the EC's 12 trade and

industry ministers, including one with their counterparts in the European Free Trade Association, said German officials.

West Germany is pushing for agreement or significant progress on proposals for common EC standards for engineering machinery, building products and toys, open procurement for public supplies and construction work. Community-wide recognition of professional diplomas and an EC patent law, among other measures.

Bonn's chances of making a mark on the internal market are halved by the fore that many the communications. The Brussels

ment and are ripe for formal

THE European Parliament yesterday blocked a trade protocol with Turkey in pro-test at Aukara's recent jail-ing of two Communist lead-ers on their return from exile, AP reports from Stras-

exile, AP reports from Strasbourg.

Using its newly acquired powers over the European Economic Community's foreign policy, the parliament refused to vote on a resolution updating the EC's trade agreements with Turkey. Instead, it referred the matter back to the external relations committee.

Bonn's chances of making a liberalise procurement in tele-mark on the internal market are communications. The Brussels helped by the fact that many of the proposals have been through the lengthy process of consulta-tion with the European Parlia-end of 1988.

French industrialists report better year

an overwhelming 80 per cent. But the business community shows much less optimism about next year.

Meanwhile, an opinion poll of the general public confirms once more that Mr Francois Mitterrand remains the favourite for re-election to the presidency — if he decides to run. As in many previous polls, he would defeat either Mr Jacques Chirac, the current Prime Minister, or Mr Raymond Barre, the leading Con-

PRENCH industrialists reporting improved results this year outnumber those reporting worse results by two to one, according to a year-end poll conducted for the Figaro newspaper. The proportion of businessment expressing support for the policies of Mr Jacques Chirac's government is an overwhelming 80 per cent. But the business community shows much less optimism about next year.

Meanwhile, an opinion poll of the general public confirms once more that Mr Francois Mitter-rand remains the favourite for

He warned that the undervalu- and credible levels.

beginning to have recessionar effects, causing export difficul

ties for the economies of a num-ber of countries, as well as creat-

ing inflationary pressures in the US. He called for the stabilisa-

tion of exchange rates at realistic

France abandons money supply target

FRANCE has finally abandoned into shorter-term instruments, one of its two monetary goals in such as certificates of deposit, the face of a shift of savings which are included in the money patterns which have pushed supply measure. This substitution did not create an inflationary risk, he said.

Mr Jacques de Larosiere, governor was overshoot the Back of France was overshoot however was

ar nounced that no target would be set for M3, the broader of the two money supply measure, in 1988. For M2, the narrower and slower-growing aggregate, the same 4-6 per cent growth target has been retained.

By the end of October, M3 had grown by an annual marked that the unnershape in the money supply measure. This substitution of interest rate policy, but acknowledged that France had to concert closely with other major industrial nations because of the pressure on its exchange in the pressure on its exchange in the pressure on its exchange in the determination of interest rate policy, but acknowledged that France had to concert closely with other major industrial nations because of the pressure on its exchange in the determination of interest rate policy, but acknowledged that France had to concert closely with other major industrial nations because of the pressure on its exchange in the pressure on its exchang

with a one-year grace period-and repayment over 3-5 years, while the extended fund facil-ity loan would exceed \$15n, with a 3-4 year grace period and repayment over six years. In May 1986 the new Yugo-slav government of Prime Min-ister Branko Mikulic ended six and a balf years of standby

growth target has been retained.

By the end of October, M3 had grown by an annual rate of 9.9 per cent since the last quarter of 1986, compared with a target band of 3-5 per cent. M2 had grown by 4.2 per cent, at the lower end of its band.

Mr. de. Larosiere said the overshooting of this year's M3 target was largely explained by a shift of savings from long-term investments not counted as money,

Consumer loans have risen by 80 per cent in the last two years to FFr212bn (\$21bn) by the end of June, the Bank of France said. Total bank lending has risen by 14 per cent in the same period.

Mr de Larosiere said the overshooting of this year's M3 target was largely explained by a shift of savings from long-term investments not counted as money,

The governor said the domes-

Grin and bear it, says Goria as strikes bite

BY JOHN WYLES IN ROME

loans for export oriented projects.

Official creditors will be requested marginally to increase their loans, from \$1bn.\$1.5bn, to less than \$2bn. Commercial banks should also provide some fresh money.

Yugoslavia defaulted on payment of some \$250m last June and July, and agreed a standstill on principal repayments with commercial bank creditors until a rescheduling agree-

ITALIANS were yesterday urged by their Prime Minister, Mr Giovanni Goria, "to grit your teeth" in the face of damaging transport strikes which the official trade unions have been powerless to control.

Before leaving for the US on a government flight untroubled by a lightening strike of ground staff at Rome's Flumicino airport, Mr Goria saggested that the strikes were the price to be paid for maintaining an anti-inflation pay policy and the cohesion of the trade union movement.

In reality, both were looking pretty second-hand yesterday. The second successive day of airport strikes was clearly a protest at the pay and hours deal negotiated by union leaders over the weekend, which Alitalia is insisting can suffer no further amendment.

The Transport and Labour Ministers who mediated the negotiations claim that the Prime Ministers who mediated the negotiations claim that the P ing can suffer no further amendment.

The stoppages suggest that for the moment, the three union confederations have little authority over their 24,000 ground staff members and therefore diminishing credibility as negotiating partners with Alltalia.

The weekend agreement is reckoned to be worth a 25-25 per cent pay rise by early 1991—considerably in excess of Mr Gor-

Lange hits out at France

Britain.

But the accord falls well short of ACP demands for an urgent meeting with all EC foreign ministers. Member states have refused to set a firm date or a venue for discussing possible joint sanctions and would only agree to a much smaller scale session than the ACP is asking for.

The first agree the secret service agent Alain Mafart, convicted for brokered by the UN.

Mafart and Prieur were conpeace vessel Rainbow Warrior, back to Paris.

He suggested France had gone back on a promise to the United Nations by bringing back Mafart and Secretary-General they were transferred from jail in New Zealand to serve three years at the Hao military base.

THE EC has agreed in principle to meet representatives of the 66 African, Caribbean and Pacific (ACP) states to discuss possible sanctions against South Africa, THE New Zealand Prime Minister, Mr David Lange, made a fresh attack on France yesterday for flying the secret service agent Alain Mafart, convicted for his part in sinking the Greenpeace vessel Rainbow Warrior, back to Paris. Fellow agent Dominique Prieur have been detained in the French Pacific atoll of Hao under a Paris-Wellington deal brokered by the UN. Mafart and Prieur were convicted of complicity in the bombing in New Zealand of the Rainbow Warrior in July 1985. Under an agreement prepared by the despite strong opposition from

Bordeaux wine exports decline

BY NICHOLAS FAITH IN PARIS

EXPORTS OF Bordeaux wines fell by 3 per cent in volume to 1.589m hectolitres and by 14 per cent in value to FFr3.227bm (\$322m) in the year to the end of August.

Sales to the US were par-ticularly badly affected, dropping by 35 per cent to 147,251 hl, representing a mere 9 per cent of exports, the lowest proportion for a decade. Not surprisingly, stocks are at a record level of 6.727m hl, enough to fill 900m bottles and representing approximately two years' total sales.

These figures were samounced yesterday at the samounced yesterday at the samounced yesterday at the samound press conference of the trade's governing body, the Conseil Inter Professionel du Vin de Bordeaux. The stocks would have been much greater if the 1987 harvest had been bigger. As it is, the estimated total is 44m hl, a reduction of morethan a fifth from last year's

than a fifth from last year's record harvest. The quality of the 1987 harvest was very mixed, with the Merlot variety planted in Saint Emilion being more successful than the Cabernet Sauvignon which predominates in the

Mr Hubert Bouteiller, president of the CIVB, was at pains to minimise the extent of the increasing outside investment in the Bordeaux vineyards. "I am onits beans and relayed quite happy and relaxed about it," he said, claiming that only a thousand hectres, less than I per cent

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TH	E ROYAL MINT



Andrew Whitley on the outburst of resistance to Israeli occupation

Epidemic of violence sweeps through 'forgotten' Gaza

"THAT POOL" said the United Nations official, gesturing towards a dank, lifeless pond of grey sludge fed by a fetid stream is famous throughout the

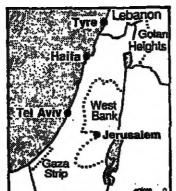
As he spoke, a fresh crackle of gunfire broke out a few hundred yards away. The wail of ambulance sirens could be heard in the distance. The Jahaya refused the distance. The Jabaliya refu-gee camp, previously known – at least in the development world – for its notorious lack of sanita-tion and abysmal living condi-tions, was fast acquiring a new reputation as a hotbed of resis-tance to the Israeli occupation. A teenager from the sprawling camp, said to have lobbed a Molotov cocktail at a passing

Molotov cocktail at a passing army patrol, had been shot dead that morning one day last week, many others were injured. At least 12 Palestinians, among them children as young as 11 years old, have been killed in the epidemic of violence which has swept through Gaza and the West Bank over the past week. They are the victims of Israeli soldiers who, in the mechanical,

ritualistic largon of the military spokesman, are said to have found themselves in life-threat-Their deaths have inflamed

sions throughout the occupied territories. But to Prime Minister Yitzhak Shamir and the Israeli right, the latest distur-Israeli right, the latest disturbances are simply another wave of externally fomented unrest which, with proper firm handling, will die away naturally.

To the liberal press and part of the Labour Party, they have been a cause for much predictable hand-wringing and bewailing of Israel's fate if it does not quickly act to remove "this demographic time-bomb." A recent Civil Administration report forecast that Gaza's popu-



bungling, uncertain and apologetic as in the case of our struggle to survive as a Jewish state," the august daily concluded.

The Gaza Strip, tagged onto the West Bank almost as if it were an afterthought, in many ways can lay greater claim than its better known partner in wedlock to being the authentic heart of the Palestinian question. Its boundaries determined by the 1948 and 1967 armistice lines, the scrap of sandy Mediterra-

the scrap of sandy Mediterra-nean coastline known as the Gaza Strip is the only remaining part of long-departed Ottoman Palestine to be formally claimed

by no other country.

Mr Shamir may claim, as he did in July, that Gaza is part of Eretz israel, the Biblical "Land of Israel," and is "not negotiable." King Hussein of Jordan may insist that the future of the strip cannot be separated from that of his former territory on the West Bank.

demographic time-bomb." A recent Civil Administration report forecast that Gaza's population could top Im by the year 2000.

Praising Mr Shimon Peres, Labour's leader, for his courage in uttering some home truths about Israel's unhappy relationship with Gaza, the Ha'aretz newspaper roundly denounced the cavilling and indecision of on "security grounds," is made

the cavilling and indecision of on "security grounds," is made most Israeli politicians on the particularly difficult by the lack subject. "Never has an issue so of internationally acceptable

which has known nothing other than Israeli military rule and has no hope of an improvement in its situation, which is beginning crucial to the country's future their forbears, but seething with been handled in a manner so bungling, uncertain and apologetic as in the case of successions. ondary school and university students have begun to take to the streets in increasingly bold confrontations with Israeli

not already had enough, thrust into the Gazans' midst, like a painful thorn into an animal's side, are some 2,500 militant Jewish settlers occupying nearly 30 per cent of the available land. The settlers' presence has been a constant source of friction.

constant source of friction.

In reality, the social and economic situation in Gaza — grim though it may look from indicators such as the collapse of the tradicional citrus industry — is not as dismal as it is usually painted by outsiders. Nor is the burden on Israel nearly as heavy as is customarily presented by that country's leaders. Behind the surface grime, there is an

identity documents. With few publicity and do not aspire to exceptions travel to Israel is permitted only for the purpose of modity in shortest supply in daytime labour. At night the Gaza — but they are one of the daytime labour. At night the Gazans must return home or face arrest.

A majority of the Strip Arab residents classified by the United Nations, as refugees from present time, Gaza's businessment day israel. But at the same time, fully 80 per cent of that number are aged under 19 and were therefore born under the occupation.

It is this new generation, which has known nothing other

now taking to the streets.

The spark for the latest wave of disturbances may have been the deaths a week ago of four workers returning from Israel by car, crushed by an army articulated truck at the entry checkpoint to the Strip. But the tinder was already dry

Evilorists his approintment as

Following his appointment as Defence Minister in October 1984, Mr Yitzhak Rabin has and troublesome figures such as and groundednie nightes such as newspaper editors has increased sharply. So too has resort to administrative measures such as detention without trial and the

Two prominent, but very dif-ferent, activists currently facing deportation are Mr Mubarak Awad, a Palestinian American who advocates a campaign of non-violent civil disobedience, and Sheikh Abdul Aziz Owdeh, a Gazan religious leader accused of being a mastermind of the shad-

that country's leaders. Behind the surface grime, there is an occasional sparkle of elegance from husbanded traditional family wealth; a reminder that Gaza earlier this year in a series of City, for all its contemporary air of Third World squalor, used to be one of the jewels of British Mandate Pslestine.

One source of new prosperity is business with Israel, responsible for over 90 per cent of the region's imports — \$375m in the real threat from Islamic 1988. A handful of young Palestinian entrepreneurs, acting as served as an example, and inspiration, to a much wider stratum of previously quiescent Palestinian in youth.



US criticises Israeli attacks

THE US and other countries have criticised Israel's hand 1967, and 60,000 Jews and 1967, and 60,000 Jews who have settled there over the anti-Israeli protests, seen by some analysts as a popular revolt by Palestinians made desperate by 20 years of Israeli occupation, Renter reports.

THE US and other countries refugees from wars in 1948 tinians, about half of them and 1967, and 2,500 Jews who have settled there since 1967.

AREA: 5,878 square km (2,270 square miles) on the Mediterranean coast between Israel

enter reports. The Emir of Kuwait has urged all Islamic countries to support Palestinians while the Arab League, at an emer-gency session yesterday, con-demned what it said were Israeli massacres of Araba

and Palestinians.
France, China and the UN have joined the Arab World in condemning Israel's policies and Yugoslavia, which gives material and moral support to the FLO, criticised "violence against Palestinians by Israeli military and police organa." police organs."

The facts about the Gazz Strip and West Bank, occupied by Israel since their capture from Egypt and Jordan in the June 1967 Middle East Way.

WEST RANK
POPULATION: 750,000 Palestinians, about half of them
POPULATION: 450,000 Palestinians

ECONOMY: The majority of the work force are farmers. Palestinians say more than 95,000 workers in the West

Bank depend on largel for their employment. MODERN HISTORY: The MODERN HISTORY: and West Bank was americal by Jordan in 1948 when British Jordan in 1948 when British mandatory rule ended over Palestine. It was captured by Israel in 1967. Yasser Arafat's Palestine Liberation Organisation (PLO), outlawed by Israel, is said by local activists to be the leading political force. Israeli military anthorities rule by a combination of army orders and former Jordanian law.

EELEGION: Most of the population is Sunni Moslem, with sizeable Christian minorities in the towns of Bethlehem

in the towns of Bethlehem

AREA: 363 square km (140 square miles) on the Mediterranean coast between Israel the Egyptisu Sinai Des

ECONOMY: About half the ECONOMY: About half the 120,000 labour force work in Israel. Many local residents are farmers and fishermen. About 4,000 Palestinians work for the United Nations Belief and Works Agency (UNRWA) for Palestinian ref-

Gaza Strip was administered by Egypt from the end of Brit-ish rale in 1948 and captured by Israel in the 1967 Middle East War. The PLO is said by local activists to be the leading political force, although membership of Islamic funds mentalist groups is on the rise. The area is ruled by Israeli military orders and former Egyptian law.

RELIGION: Most of the pop-

S Korean voters hold their breath

seal

ustria

S. Mo

By Maggie Ford in Secul

ALL-NIGHT party preparations were in full swing yesterday as South Korean voters prepared to watch the result of their

for watch the result of their first democratic presidential election for 16 years. Hotels were fully booked by groups planning to monitor television reporting of the count, and telephone wires were burging at the last water burging at the last water burging at the last water their second count. count, and telephone wires were buzzing with last minute family discussions about the vote. Younger family members, especially those in the educated middle class, made last ditch efforts to persuade their more conservative parents to vote for one of the opposition condidates.

Rumours of military intervention and threats to stability and economic growth if the government candidate was not government candidate was not elected have stirred fears about the risks of democracy, and practically no-one in South Korea was yesterday prepared to predict the result.

Three main candidates are stand-ing - Mr Roh Tae Woo, of the ruling party, and two men for the opposition, Mr Kim Young Sam and Mr Kim Dae Jung The vote is expected to be extremely close.

Election fever easily eclipsed interest in the arrival at Seoul airport of an Asian woman suspected of being involved in the disappearance of a Korean Air jet last month. North Korean terrorism is thought to be linked to the possible crash of the airliner, still uncon-

Around 50,000 police and 80,000 student volunteers are to be deployed around polling booths today to prevent vio-lence and to watch out for election fraud. Opposition candidates have claimed that brib-ery and corruption have dready tainted the election, but at least in urban areas, vot-ing is expected to be conducted

fairly.
Calculations about the winner yesterday focused on the two opposition candidates, both opposition candidates, both standing on a platform of ending military rule. The ruling party candidate, a former general, has promised a more democratic society in the wake of

the demonstrations in June.

Mr Rim Young Sam was thought
to be slightly ahead of Mr Kim
Dae Jung, with Mr Roh running third. The influence of the educated

likely to be crucial, as it was in the June demonstrations which led to today's election. Yesterday, the middle classes appeared to be standing firm in their plans both to vote for the opposition and to happily accept either Kim as president but were worried that their parents' conservatism would surface in the voting booth. The winner was anybody's

Arab League accuses Israel of repression

the israeli occu reports from Tunis.

Israell forces, which have killed at least 10 Palestinians during riots in the West Bank and Gaza Strip, attacked hospitals and fired on unarmed crowds after hemming them in with tanks, a communique from the four-hour emergency session

The meeting of the 21-member Arab League, which was requested by the Palestine Liber-ation Organisation (PLO), made an urgent call to the United Nations to protect Palestinians in areas occupied by Israel since the 1967 Middle East War.

yesterday said.

PLO leaders have called for UN intervention to halt the viotests, israel had practised all lence by means of an international force or observers.

lead indicator is the expected rate of inflation for each month.
Measures announced earlier

include the opening of trade frontiers to a degree unprece-dented in Mexico's modern his-

tory, with import duty more

In liberalising far more quickly and extensively than planned, the Government is using cheaper imports, or the threat of them, as

a key element in its increasingly

desperate fight against inflation, which is now running at 144 per cent annually, according to offi-

cent surcharge levied on imports has been abolished.

cials say, is to achieve a weighted average tariff of 12 per cent next year. This is substan-

tially below the tariff reductions Mexico is committed to by virtue of its entry into the General

Agreement on Tariffs and Trade (Gatt).

A bodget adjustment of the magnitude envisaged by the Government would more or less

take care of what is defined both

by the Government and the IMF

as the "adjusted operational bud-get delicit." This is what remains

once the purely inflation-caused portion of interest payments on domestic debt is discounted.

The "nominal" deficit, which takes full regard of inflation and

interest payments equivalent to 60 per cent of the budget or 21 per cent of GDP, is running at

about 18 per cent of GDP, offi-

ebanon sortie raises risk of further escalation

THE ARAB LEAGUE yesterday recourse to terrorism and crowds

ONLY A couple of hours before from most of Lebanon has done larged the lines in eastern Lebanon massacres of Arabs and Palestinians during violent protests in Arab territories against the lines in eastern Lebanon problems in the country's relation in recent weeks, especially during last week's superchast their lines in eastern Lebanon problems in the country's relation in recent weeks, especially during last week's superchast their lines in eastern Lebanon has done the most damaging Palestinian camp in northern larged three weeks ago, in which six larged sortie into Israeli territory in a colon had resulted in "dozens of street" and hundreds of less was waxing lyrical at a press conference in London when the least three weeks ago, in which six larged week's superchast their lines in eastern Lebanon has done the most damaging Palestinian camp in northern larged three weeks ago, in which six larged week's superchast the most damaging Palestinian camp in northern neigh sortie into Israeli territory in a colon had resulted in "dozens of least week's superchast their lines in eastern Lebanon was acreatly during last week's superchast their lines in eastern Lebanon was acreatly during last week's superchast their lines in eastern Lebanon was acreatly during last week's superchast their lines in eastern Lebanon was acreatly during last week's superchast their lines in eastern Lebanon was acreatly during last week's superchast their lines in eastern Lebanon was acreatly during last week's superchast the most damaging Palestinian camp in northern is recourse to terrorism and crowds of Arabs and branches and hundreds of last three lines in onthern is recourse to the lines in eastern Lebanon was acreatly during last week's superchast the most damaging Palestinian camp in northern is recourse to the most damaging Palestinian camp in northern is recourse to the most damaging Palestinian camp in northern is recourse to the most damaging Palestinian camp in northern about what he described as a new atmosphere favouring peace between Arabs and Israelis. between Arabs and Israelis.

"Ten years ago, we were hermetically sealed in on all our borders," he said. "Today...peace is not a dirty word any more."

That may be true, but yesterday's attack illustrates the continuing volatility of the situation on Israel's northern border. They also show that the hard-won also show that the hard-won withdrawal by Israeli troops

the troops had finally pulled ing loss of Israeli lives in the back to their self-declared "secu- area. This year, Israeli forces and rity zone" in southern Lebanon, Israel's coalition Government, then led by Mr Shimon Peres, was widely congratulated for extricating the country from its traumatic Lebanese adventure. Today, things are almost back to square one.

The immediate spark for yesterday's operation was provided by the audacious Palestinian mas of a different order for the

area. This year, Israeli forces and

the attack - claimed by Mr Ahmad Jibril's PFLP-GC, an their proxies who patrol the security zone, Col Antoine Lahad's South Lebanon Army, have had to cope with a series of increasingly effective attacks from militant Shi'ite groups operating close to the Israeli frontations.

Third Israel has come under

Third, Israel has come under strong, perhaps unprecedented pressure from Western and other friends to abstain from punitive

been untied - but only up to a point. All the indications yesterday were that the Israeli thrust was limited in scope, and that the Syrian troops dug in only two miles away from the fight-ing were keeping a low profile. But there remains a risk of fur-

ther escalation, and it is one that the laraelis, with memories fresh from the earlier Lebanon deba-cle, are singularly ill-equipped to deal with.

US trade deficit a record

into debt, AP reports from Washington.
The Commerce Department said yesterday that the imbalance in the nation's current account rose 5.3 per cent from the \$41.2bn imbalance recorded from April through June, the previous record.

worsen in succeeding quarters as the US has to pay more and more to service the growing tide of foreign investments.

Air Canada strike nears resolution

By David Owen in Toronto

According to foreign banking and diplomatic sources in Asuncion, the capital, the level of officially sanctioned contraband would double the official trade figures. This loss is draining the country's foreign exchange

AMERICAN NEWS

THE TOWN of Presidente Stroessner is appropriately named. Located close to the borders with both Brazil and Argentina, it is a symbol of the ageing Paragusyan President's decaying 33-year-old dictatorship — a shabby, gaudy bazaar, which serves as a free-port and contraband centre for an estimated \$1bn worth of goods a year.

Paragusy, with a per capita income of \$1,000 a year, has the dubious merit of being one of the world's biggest importers of Traditional exports such as

Mexico secures wage agreement with unions

BY DAVID GARDNER IN MEXICO CITY

THE MEXICAN Government yes-terday slotted into place a third element in the radical anti-inflation package it is unveiling by stages, when trade unions accepted a wage offer they had earlier rejected.

This clears the way for the remaining ingredients in the pro-gramme, which until midday. yesterday consisted of Monday's 22 per cent devaluation, comple-mented by the alashing of confemented by the slashing of tariffs on imports by more than half from yesterday morning.

The next stage of the plan, which officials said would be announced last night, is expected to detail budget cuts equivalent to 1 per cent of gross domestic product — and which could include the desire of gross domestic product — and which could include the desire of gross domestic product — and which could include the desire of gross domestic product — and which could include the desire of gross domestic product — and which could include the desire of gross domestic product — and which is now running at 144 per cent annually, according to official figures.

The top target annually, according to official figures. include the closure of public sector companies such as Aeromexico, the flag airline, and even ministries - complemented by a revenue increase equal to 2 to 3 per cent of GDP, mainly through big one-off price increases on goods such as fuel.

The Government is also expected to fix the exchange rate at its new level until March, and to announce a system of voluntary price restraint it is hammering out with the private sector.

These two measures would be the quid pro quo for the official trade unions, which had threat-ened to launch a general strike this Friday unless their demand for an emergency 46 per cent wage increase was met.

Instead, they are getting 15 per cent now, and 20 per cent in January, when the quarterly wage round begins From March, however, after the economy has had time to absorb these shock measures, wages will be indexed to inflation, union and government officials say.

A system of forward indexation will be used, whereby the plan's success.

remains, say Soviets

SDI split

THE SOVIET Union confirmed yesterday that fundamental differences remained between Moscow and Washington over the development of space-based defence systems in spite of the joint statement on the subject issued after the US-Soviet summit lest week

Mr Boris Pyadyshev, the Soviet Foreign Ministry spokesman, said the statement agreed by Mr Mikhail Gorbachev, the Soviet leader, and President Ronald Reagan in Washington would har the so-called "broad" interpreta-tion of the 1972 Anti-Ballistic Missile trenty

The broad interpretation, advanced by the US Administra-tion would permit space testing of the Strategic Defence Initia-tive (SDI). Moscow says this is prohibited under the ABM treaty.

Mr Pyadyshev noted that had specified that the two sides were committed to observe the treaty "as signed in 1972" while conducting research, testing and deployment. However, US officials stressed that the statement allowed testing as required. Mr Pyadyshev said: "This means the two sides have recog-nised that the ABM treaty must be enforced ... in the form in which it was signed in 1972, and

which it was signed in 1972, and not in the way it is currently being interpreted in the broad sense by some American inter-preters of the treaty." The wording of the joint state-ment had been seen earlier as an indication that the two sides had "agreed to disagree" on the issue of SDI testing which has frus-trated previous efforts to reach accord on long-range nuclear

Mr Reagan has made clear since the summit that he does not intend to compromise on SDI development, and analysts said the Soviet position as enunciated yesterday could lead to a resur-gence of the chief obstacle to a strategic arms treaty (Start). packing cases and cardboard boxes, is only part of a much wider economic malaise. With the end of the boom simply accepted as part of the years during the construction of Paraguayan way of life and

Conflicting views of US economic future sists are more ness economists surveyed by expecting the economy to go on groups is probably explained by the prospects their own national association growing until 1989. They expect the larger size of the National amy than are expect a recession to begin durthe recession, when it comes, to Association of Business Economy than are expect a recession to begin durthe recession, when it comes, to Association of Business Economy to go on groups is probably explained by pessimistic about the prospects their own national association for the US economy than are expect a recession to begin dur-

for the US economy than are independent economic forecasters, according to the latest soundings of both groups.

The business group appears to have been much more impressed with the potential economic results of the stock market crash of October 19 than the independents. Both, however, have proved persistently over-pessimistic in earlier soundings over the last 15 months.

Half of a sample of 200 busi-

dubious merit of being one of the world's biggest importers of Scotch whisky and branded perfumes. Only a small proportion stays in Paraguay. Most ends up on tourist coaches or light aircraft, or is simply loaded into trucks or boats and shipped over the frontier into Brazil, where an

the frontier into Brazil, where an eager consumer market awaits

From dawn until dusk streams

of coaches, cars and tourists on foot cross the bridge linking the town with Fox de Iguaza on the

Brazilian side. Customs and

immigration inspection is cur-

sory.
But Presidente Stroesmer and

its crowded, littered streets, strewn with discarded whisky

tered imports.

Traditional exports such as soya, cotton, cattle and timber have become important contra-

band items, alipping both ways across the frontier with Brazil.

They are imported through regu-lar channels, but only a token import duty is paid, which prob-ably never finds its way to the

Tressury.

The level of corruption of government and army officials is now so endemic that it has ceased to be scandalous. It is

the recession, when it comes, to be brief, lasting perhaps two quarters.

Only 13 per cent believe there is any risk of a depression — defined as two years of negative growth with continuous high companies which employed them in Sentember when more

Tim Coone on a country where smuggling has become a way of life

growth with continuous high unemployment. These extreme pessimists are balanced by an equal number of robust optiequal number of rooms when the state of the

Contraband keeps Paraguay afloat Paraguay

> Open any Paragusyan newspa-per and in the classified ads it is possible to find an almost brand talked about as openly as the proposals for change weather. It is one of the ways political patronage is exercised over public sector employees and Brazil or a Peugeot from Argen-tina for about \$2,000. They are the armed forces.



can easily be arranged for the appropriate fee to the right offi-cial. Mercedes Benz abound.

reserves, helping to fuel a fiscal deficit estimated at 7 per cent of gross domestic product and creating severe distortions to the Foreign currency reserves

than half were expecting a recession by 1989, a three-to-one majority reported a sharp

have fallen from \$800m five years ago to just over \$300m at the end of last year, forcing Paraguay to suspend some interest payments on its debt this year. Moreover," says Mr Tito Sca-"Moreover," says Mr Tito Scavone, the president of Feprinco, Paraguay's private sector federation, "there is no economic plan and no reliable figures on which to base a plan. The Government doesn't talk with us. Our communication is by letters or statements in the press and we receive no official replies to our proposals for change."

According to Dr Roberto Rodriquez, a prominent Paraguayan economist: For the first time in Paraguay's history the business sector has united with the oppo-A senior miltary officer in the northern Chaco province is said to run a petroleum racket with imported fuel from Bolivia. Cocaine is also brought in. Cars go in the opposite direction.

Paraguay's history the business sector has united with the opposite of the sector has united with the opposite of the problem. The history the business sector has united with the opposite of the problem. The history the business sector has united with the opposite of the problem. The history contributes are considered in the problem.

THE DEFICIT in the broadest measure of US foreign trade swelled to a record \$43.4bn for July through September this year, pushing the country deeper into debt. AP reports from

The current account is considered the most important trade figure because it measures not only trade in merchandise but also trade in services, primarily investment flows between coun-

tries.

In a sign of how the country's international fortunes have dwindled, the Government reported that the country paid out more to foreigners on their US holdings than Americans earned on their overseas investments. While it was only a small imbalance of \$600m, it marked the first time that American investments had failed to be in surplus in 29 years.

Analysts said this trend would

Analysts said this trend would

THE LABOUR dispute which has grounded Air Canada since November 27 appeared a step closer to resolution yesterday, following the airline's tabling of a comprehensive contract offer. It is believed to include a formula for the partial indexation of pensions to the cost of living which has emerged as the key demand of the International Association of Machinists and Acrospace Workers in return the sions in union

all for

Singa Managames IN

Asean nations agree to boost joint ventures

Asian Nations yesterday agreed steps to boost intra-regional trade and to stimulate joint ventures in the six-country bloc.

The moves were announced at the end of the first Asean summit in 10 years. The leaders of Singapore, Indonesia, Malaysia, Thailand, the Philippines and Brunei agreed to reduce the list of items that are excluded from the Preferential Trading of items that are excluded from the Preferential Trading Arrangement (PTA) and on which, as a result, full tariffs are the rates charged on competing

Asean aims over the next five years to reduce the number of goods excluded from the PTA to no more than 10 per cent of items traded and no more than 10 per cent of items traded and no more than 10 per cent of items traded and no more than items traded items to the follower for the first four years of products are to the no lower for the first four years of products are to the no lower for the first four years of products are to the no lower for the first four years of products are to the no lower for the first four years of products are to the no lower for the first four years of products are to the no lower for the first four years of products are to the no lower for the first four years of products are to the no lower for the first four years of products are to the no lower for the first four years of products are to the no lower for the first four years of products are to the no lower for the first four years of products are to the no lower for the first four years of products are to the no lower for the first four years of products are to the no lower for the first four years of products are to the notion of products are to the notion of products are to the first four years of produc

ippine trade minister, said he hoped the measures would increase intra-regional commerce from 19 per cent of all trade to 50 per cent by the end of the century.

products are to be no lower for

items traded and no more than 50 per cent by value.

At present there are about 7,000 excluded items making up from Asean countries by the end over 50 per cent of all regional trade by value.

Mr Jose Concepcion, the Phil-

Finally, in a bid to build regional capital markets, the leaders endorsed an Asean Reinvestment Corporation to be set up in mid-1988 with an initial paid-up capital of \$3m.

Austria keeps open EC membership option

BY WILLIAM DULLFORCE IN GENEVA

AUSTRIA is keeping open the colleagues in Brussels on Febru-option of applying for membership of the European Community, Mr Alois Mock, its Vice-Chancellor, said yesterday.

He was speaking at the end of

He was speaking at the end of a two-day meeting of the European Free Trade Association at which ministers from the six member states co-ordinated policy towards the EC's plan to eliminate its internal trade barriers by 1992.

The Efta ministers yesterday said they had agreed on the need to remove existing, and avoid new trade barriers between the two blocs. Such barriers concerned public procurement rules, government aids, export restrictions, regulations on product liability and the protection of intellectual and industrial property rights, they said in a communication of the community of the European Free Trade Association at two blocs. Such barriers between the two blocs. Such barriers concerned public procurement rules, government aids, export restrictions, regulations on product liability and the protection of intellectual and industrial property rights, they said in a communication of the community of the European Free Trade Association at two blocs. Such barriers between the two blocs. Such barriers concerned public procurement rules, government aids, export restrictions, regulations on product liability and the protection of intellectual and industrial property rights, they said in a community of the European Free Trade Association at two blocs. Such barriers concerned public procurement rules, government aids, export restrictions, regulations on product liability and the protection of intellectual and industrial property rights.

US, Moscow banks in export finance deal

SECURITY Pacific Business pler since exporters will not be Finance (Europe), an arm of the obliged to put up additional Los Angeles based bank, has security or arrange an ECGD insurance policy to back up the Narodny Bank to offer a new Thance.

[ertoring service to finance UK Mr Ser

ments which will allow UK exporters to receive immediate payment on their sales. They aim to cover around 15 per cent or £80m of total UK expons to the Soviet Union within a year. The scheme involves finance being made available through

being made available through Security Pacific in return for an assignation by the exporter of his right to receive payment for the sale. Moseow Narodny will guarantee payment by the Soviet importer and organise collection. It will compete with similar schemes operated by UK clearing banks and the Export Credits. It will compete with similar schemes operated by UK clearing banks and the Export Credits exporters, but the scheme will Guarantee Department, but is regarded by its promoters as sim-

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AT 19762

made sid

factoring service to finance UK
exports to the Soviet Union.
In a deal believed to be the
first of its kind between a US
and a Soviet bank, the two are to
ofter short term finance arrangeliberalisation of foreign trading practices and the establishment of joint ventures between Soviet and Western companies.

Decentralisation of import arrangements had not only involved bringing new players into Soviet trade; coupled with the joint ventures it had also introduced a new concept of commercial risk into Soviet trade. financing which was still unfa-miliar to Western banks and exporters, he said.

Call for law changes on investment in Poland

Poland, is demanding that the sector be treated on a par with joint ventures with Western capital whose conditions are to be liberalised next year.
Interpolcom has also suggested

Interpolcom has also soggested that foreign investment in a drop in profit tax from 50 per cent to 30 per cent and a lower one law. So far a mere handful of joint ventures have been established under present strict tax and hard currency profit tax are tax and hard currency profit t

The lack of enthusiam in the West can be explained by the treatment meted out to the wholly western-owned Interpol-com sector which employs some 80,000 and produces 1 per cent of perions income.

Hardline opposition to these companies meant that the ori-gional 50 per cent of fax on prof-its was raised to 80 per cent and hard currency regulations were tightened for the sector. As a its was raised to 80 per cent and the first was raised to 80 per cent and currency regulations were tightened for the sector. As a mere 5 per cent of total sales result, the number of companies while hard currency sales were has slipped from 695 at the end of 1986 to the present 660. In chases stood at \$33.5m.

INTERPOLCOM, an association 1983, before the new draconian representing about 660 small taxes were imposed, 225 compa-Western-owned companies in the were set up while 18 closed.

Last year a mere 28 were established and 41 liquidated. Meanwhile, the Foreign Trade Ministry has unveiled its proposals for liberalising last year's joint venture law. These include

Interpolcom for its part wants a tax on profits to be set at a general rate of 65 per cent, with concessions, bringing the rate down to 30 or 40 per cent to encourage companies to increase exports or invest in high technology. Hard currency transfer restrictions would also have to be eased if the sector is not to shrink further.

Exports last year by the Inter-

Danish line sells ships to Singapore affiliate

BY HILARY BARNES IN COPENHAGEN

THE A.P. Moller Maersk Line shipping group has sold four container vessels to its Singapore affiliate, Maersk Company of Singapore, causing speculation that the sale is intended to place pressure on the Folketing (Danish parliament) to improve conditions for vessels sailing under the Danish flag.

Moller, however, said that the sale was made for purely commercial reasons and had no connection with flag problems.

The measure is intended to counter the transfer of flags on Danish vessels to other counters. About 40 per cent of the imerchant fleet is currently sailing under non-Danish flags,

Nancy Dunne in Washington looks at the impact of a ground-breaking bilateral agreement

US-Israeli free trade deal starts to show returns

TWO YEARS ago the US and ful effort to slash inflation, tied Israel announced a free trade the shekel to the dollar, which agreement which set some impressive precedents. It was the first such agreement ever signed by the US and for the Israelis it was the first such agreement ever signed by the US and for the Israelis it was the first such agreement. vas the first such pact to encom-

pass all goods.
It also broke ground in that both sides promised to open their markets to each other's services and committed themselves to clarifying complex laws and reg-ulations affecting services.

The pact was to pave the way for the less inclusive US-Cana-dian bilaterial agreement, but it was also designed to send a

ree trade agreements.
"Other countries have realised," Mr Clayton Yeutter, the US
Trade Representative says, "that
if they want to continue to have
access to the world's largest market, they had better get serious
about improving the Gatt."

warning that the US would resort, if necessary, to two-way

Another message the US hoped to send - about the wonders of

the shekel to the dollar, which was sinking steadily. The US market became increasingly less was sinking steadily. The US market became increasingly less profitable for Israeli exporters, who seemed, in any case, more comfortable with their long-standing ties to Europe.

The first full year of the free trade agreement ended with US exports sliding from \$2.5bn (\$1.4bn) in 1985 to \$2.2bn last year. The Israelis reported a modest upturn for the year, from

modest upturn for the year, from \$1.7bn to \$1.8bn, but the increase was largely the result of movements of industrial dia-monds rather than new trade. The outlook for 1987 is better. In the first six months, two-way trade rose from \$2.3bn to \$2.7bn and businessmen and trade officials at a recent US-Israeli trade

Operation Independence, non-profit organisation in the US, Israel and Europe, which aims to help Israel achieve economic self-sufficiency, has set up task forces with prominent busiree trade - became garbled by

conference in Washington were



Clayton Yentter: warning products, defence equipment, software and household hard-

A newly established Delaware trading company will, for example, begin marketing larasii chocolates and gourmet frozen foods this month. Another trading company will distribute laraeli-

ident of Operation Independence, says the group is not looking for handouts from American Jews. Israeli products are competitive, he says. "It's got to be tachlis (business)."

In addition Israel has become, according to General Mica Paz, a property of Commerce, put it bluntly: are solved.

according to General Mica Paz, a consultant, "the combat labora-tory of the world." Many Us companies with defence con-tracts are taking on Israeli part-ners in research and develop-

But the Israeli Government is facing widespread complaints from US business. Mr Clarence Brown, the US Deputy Secretary of Commerce, put it bluntly: "New laws are passed rather frequently. Some laws have been made retroactive to investment and resources company, and Teva Pharmaceuricals illusagreements that have already been signed. Various aspects of Another Israeli selling point old laws are also changed."

Canada, Australia and New Zealand. But these advantages will fade as its Middle Eastern neighbours become increasingly productive in agriculture and manufacturing.

The US supplies about \$3bn in economic and military aid a year to Israel and if it is to be removed from the US welfare rolls it must achieve among other things export-led growth. To do so, Israel must attract mil-

and Teva Pharmacer trates what Israel has to offer US

Another israen sening point for joint ventures is its duty-free access to the European Community and the trade benefits it receives as a "developing country" in other European markets, Canada, Australia and New Zealand European development individual enterprises as they are not inclined to play as an intrustive a role in individual enterprises as they priced US companies out of its another trade of the control of the contr business.

US-Canada free trade pact faces rough ride in Congress

THE US-Canada free trade agreement faces a tough ride in Congress, despite the removal from the definitive legal text of a transportation provision which had incurred the wrath of the US maritime shipping lobby. This became clear during an informal Congressional hearing on Monday, which marked the pact's hesitant emergence into the post-summit media spotlight THE US-Canada free trade agree

Political horse-trading now appears to pose the most serious threat. The pact's proponents are worried that Congress may use its approval as a bargaining chip to secure Administration concessions on the omnibus Trade Bill now dominating much of the Washington political agenda.

There are concerns that some Congressmen may still feel that serious settlement mechanism constitutes an unacceptable inroad tutes an unacceptable inroad into US sovereignty, and that the deal will be opposed by US special interest groups. However, without the powerful shipping lobby, these are thought unlikely to wield enough clout to pose a significant problem.

Under the terms of the preliminary agreement, Canadian ships Political horse-trading now

the proposed binational disputes settlement mechanism consti-

vessels in any future changes to US maritime legislation. Restric-tions outlined in the Jones Act currently confine the shipment of goods between US ports to US

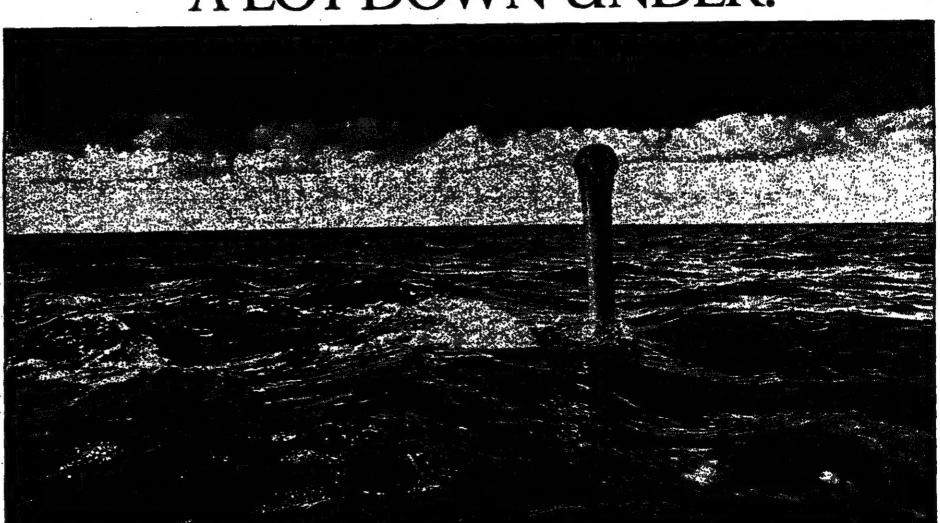
A handful of further changes have been made to the preliminary transcript but in the main

would have secured the right to restates and amplifies the pre-be treated as favourably as US liminary text. reviewed by a five-member bina-tional panel with a mandate to liminary text.
On dispute settlement, the judge whether trade actions definitive text provides for the creation of an additional three-

creation of an additional turestrong binational panel of former
judges to rule on any complaints
regarding a decision made by the
original disputes settlement triment on January 2 to permit it
to be dealt with under the fast-

Under the terms of the agree-track procedure which ment, trade disputes will be Congress amending it.

ONE SCOTTISH PRODUCT POPS UP A LOT DOWN UNDER.



In 1888, Professor Barr, Professor of Engineering at Glasgow University and his colleague Professor Stroud, Professor of Mathematics and Physics, saw a War Office advertisement inviting tenders for the design of an infantry rangefinder. By combining their talents they designed and patented a revolutionary rangefinder which inspired the formation of Barr and Stroud. This distinguished company has continued to pioneer major technological advances in optoelectronics. Their work in fibre optics and lasers is applied in laser surgery and safer traffic lights, tank sights and periscopes. Barr and Stroud, from their headquarters in Glasgow, lead the world in thermal imaging and currently command 30% of the market in periscopes. So when the subject of periscopes came up for the Australian Navy they naturally looked to Glasgow and placed a £30m order. In Scotland, research scientists and industrialists are working hand-in-hand to create revolutionary new products for markets throughout the world. For in depth information on how the dynamic climate of innovation in Scotland can help your business call Jim Reid on Freefone Scotland or write to the Scottish Development Agency at the Scottish Centre, 17 Cockspur Street, London, SWIY 5BL.

SCOTLAND. LAND OF OPPORTUNITY.

SCOTTISH DEVELOPMENT AGENCY, HEAD OFFICE, 120 BOTHWELL STREET, GLASGOW, G2 7JP. TELEPHONE 041-248 2700.

UK NEWS

Losing a leg but keeping a bit of the dishwasher

owning their homes - but lumbered with a mortgage - has risen from 27 per cent in 1971 to 37 per cent in 1985. The percentage owning their houses outright rose from 22 per cent to 24 per cent in the same period. cent in the same period.

• Almost 70 per cent of house-holds had central heating by

● Council house tenants fell from 34 per cent of households

THE AVERAGE size of a British household fell by 0.35 of a person, or about an arm and a leg, in the 14 years to 1985, a Government survey reveals today.

The General Household Survey, compiled by the Office of Population Censuses and Surveys, meticulously pulls apart life's rich tapestry to provide multifarious statistics on social trends.

The 200-page report covers population, race, employment, housing, education and health. Researchers also peered under Britain's bedclothes to study trends in marriage and co-habitation.

Among the results from its study of 12,500 households, the report finds:

The typical household in 1985 consisted of 2.56 persons and 0.06 of a dishwasher. Telephones are owned by 81 per cent.

gory or that see tion.

Of the total British population, 6 per cent were born outside the UK. This rises to 49 per cent among West Indians and 67 per the Indian community. report finds:

The typical household in 1985 consisted of 2.56 persons and 0.06 of a dishwasher. Telephones are owned by 81 per cent of households while 31 per cent were aged 65 or more and 22 per cent in 1984 to 13 per cent in the Indian community.

Among whites, 15 per cent were aged 65 or more and 22 per cent under 16 years in the Pakicent in 1984 to 13 per cent in per cent are younger than 16 and only 2 per cent above 65.

Signs that Britain may be get

Signs that Britain may be get-ting over a long bout of hypo-chondria are apparent in the sec-tion on health. The survey reports the propor-tion of the population reporting long-standing illnesses fell from 32 per cent in 1983 to 30 per cent

That slight drop follows a con-tinuous rise since 1972. However, Government statisticians warn

ried.

The survey finds 68 per cent of women in the 18 to 49 age group were legally married. Among unmarried women in the same group, 16 per cent were co-habiting, according to the official definition, compared with 14 per cent in 1984.

Wisely, interviewers did not

wisely, interviewers did not ask similar probing questions of men and the women they lived with. An awkward discrepancy could, after all, have proved embarrassing.

General Household Survey 1995 MISO 510 70

1985. HMSO £10.70 Population projection: Page '

Fifth TV channel gets green light

THE Government is expected to press shead with a fifth television channel following the findings of an engineering committee set up by the Department of Trade and Industry that an extra channel is technically facility.

net is likely to be included in the second of two broad-easting bills planned by the

Mrs Margaret Thatcher. the Prime Minister, is believed to be an enthusias-tic supporter of an advertis-ing financed fifth channel to put pressure on the broadcasting unions and break the television adver-

companies.

The aim would almost certainly be to let the channel as a national, as opposed to local, franchise to new commercial entrants to broadcasting.

The engineering committee, which includes senior broadcasting engineers from the RRC and the Independent Broadcasting Authority, argues in a report now being finalised that between 60 and 70 per cent of the UK population could be resched by a new fifth channel in addition to the UK's existing four national channels.

The engineers also believe

The engineers also believe there is capacity for a sixth television channel which could reach 50 per cent of

The committee found that using spare capacity on Britain's 44 UHF channels in their present configuration would be impractical.

NHS row prompts angry exchange

THE growing political row over the National Health Service yesterday erupted into one of the angriest and noisiest exchanges in the House of Commons since the June general election.

These came ahead of the announcement later today by the Government of increases in spending aimed at the most hard-pressed health authorities. These will be in the form of allocations to regional health authorities and a revised distribution formula between parts of

bution formula between particle the country.

The increases will be from the additional \$700m already announced for hospitals and the community health service in England in 1988-89. There is also pressure to make additional provision from the contingency reserve next spring to halt bed closures and to finance the restructuring of nurses' pay.

reserve and to finance the restructuring of nurses pay.

In the Commons yesterday, Mrs Margaret Thatcher, the Prime Minister, defended her NHS record in detail, while Mr Nefl Kinnock, the Labour leader pressed the Government to provide more funds.

Ministers and senior Tories recognise that the Government has become politically vulnerable on the issue in face not only of effective opposition pressure but also the daily calls for action from leading members of the

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JUNE GARNETT

of effective opposition pressure but also the daily calls for action from leading members of the medical profession.

Yestarday a petition signed by 1,200 doctors calling for an immediate cash injection was handed in at Downing Street by five leading consultants and a Tory backbencher.

The extent of Tory concern was reflected in a statement lest night from Mr John Biffen, the former leader of the Commons. He said the public could hardly believe "the imposing statistics of health care when they see around them hospital and ward closures." He urged a reassessment of the NHS, leading to a closer partnership between the private and state sectors, with growing private health insurance.

Mr Biffen argued however

nce. Mr Biffen argued, however, that, until the new policy direc-tions are charted, there had to be "more public funds, and the lon-ger those funds are witheld the more serious will be both the

short and long-term problems."
In the Commons, the Speaker repeatedly had to call for order, accusing MPs of behaving in "a disgraceful way" as Conservative and Labour members shouted the chamber. As is her practice, Mrs Thatcher gave detailed

making a fool of herself by hid-ing behind statistics and show-ing "a complete determination not to respond to what the high-est authorities and most expert opinion is calling the crisis in the health service." He pressed for more resources to bring beds back into use, fund pay awards and to stop the rot in the NHS.

A new scheme to offer

nurses in London 100 per cent mortgages, repayable at only two-thirds of the normal interest rate, was yesterday unveiled by Nationwide-Anglia Building Soci-Details, Page 10



Copenhagen (01) 134441 And ask K. Mikaci Heinis

FINANCIAL TIMES

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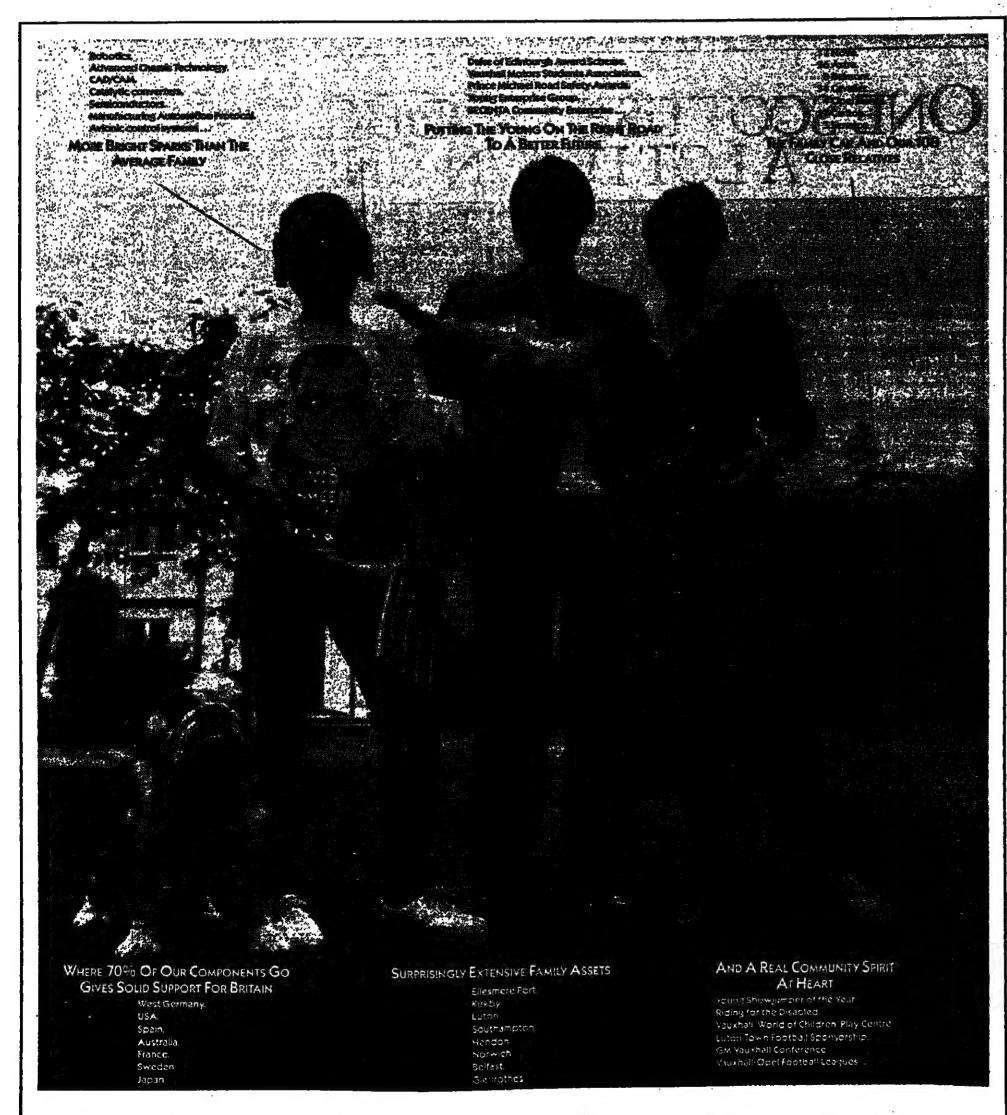


FINANCIAL TIMES



New York, New York, December 10 — Schlumberger Limited announced today that the Board of Directors authorized a new stock million shares, on the open market. The purchase may be made from time to time depending on sparket conditions.

The Board declared a quarterly dividend of 30 cents per share on outstanding stock. The dividend is payable on January 15, 1988 to



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FULL PLANNING permission to build a new town beside the M40 in Oxfordshire is to be sought by Consortium Developments, which consists of the nine largest housebuilders. An outline planning application has been submitted to South Oxfordshire District Council.

This is the fourth proposal considered by the consortium for a so-called new country town. The planning application for one proposed at Tillingham Hall, Essex, was refused in February after a public inquiry.

The consortium is awaiting the start of a public inquiry - expected next June - into its proposal for a country town at Foxley Wood, Bramshill, Hants, south of Reading and six miles from the

The consortium has not sub-mitted a planning application for its proposed country town south of Wilburton, Camba.

of Wilburton, Cambs.

The latest proposal is for a town with a 15,000 population, to be built on agricultural tand seven miles east of Oxford. The consortium wants to build 6,000 homes between the villages of Great Haseley, Milton Common and Tetsworth, south-east of the M40's junction seven.

Yesterday it said the site was outside the Oxford green belt and Chiltern area of outstanding natural beauty and would be called Stone Bassett.

The consortium Developments consists of Barretts, Beazer, Bovis, Ideal Homes, John Laing, Y. J. Lovell, Tarmac, Wilcon and Wimpey.

The Erostin group of Milton Keynes, with the Richard Wood Partnership of chartered town planners, has proposed a water-side village, at Framley, near Lichfield, Staffs.

It would be called Framley Hythe and be on a 100-acre site, around a purpose-built canal linked with water-basins and a marina. Total investment is estimated at \$30m.

proposal for a new country town as conforming to the spirit of the Oxfordshire structure plan which proposes the concentra-tion of new development in

country towns as a way of meet-ing housing pressures. Mr Andrew Bennett, consor-tium executive director, said all evidence pointed to a shortfall in housing provision in Oxfordshire between 1991 and 2001, possibly by up to 40,000 homes. If the need for new homes was to be met, more land would be required for housing in the county than was envisaged.

The proposal includes development of a 300-acre country park on the western part of the 1,210-acre site.

The consortium wants immediate talks with local and statutory authorities. Detailed proposals will be submitted after the con-

Consortium Developments con-

Population of 60m forecast for

year 2025 By Alan Pike, Social Affaira

THE UK population, 56.5m in 1985, is likely to reach 60m by the year 2025, according to projections issued yesterday by the Office of Population Censuses and Surveys.

This growth rate is slightly higher than the previous projections, based on the 1983 population figures.

The growth is expected to occur in the populations of England and Northern Ireland, projected to rise by 8 per cent and 13 per cent respectively.

respectively. By contrast, a 1 per cent drop in the Welsh popula-tion and a fall of 8 per cent

By the year 2025, people aged 60 and above — currently 20 per cent of the population — will form 25 per cent. The growth in the elderly population will have extensive implications for health care and social services provision.

in Scotland are expected.

The figures show that between 1983 and 1985 the number of British citizens leaving the country fell.

Population projections 1985-2025 (Series PP2, No. 15). HMSO. £10.20

Drug that leads race against AIDS

18 months, according to observ-ers in the phormaceuticals indus-

Beyond this, the future for Retrovir, the formulation in question, is virtually impossible to forecast; there are uncertainties over how the killer disease will develop and how much possible competition there will be for the product.

Retrovir has hit the headlines because it is the only available medication for the disease and because of its high price.

On the second point, Wellcome acted on Monday to forestall growing criticism that it was likely to make excessive profits from the medication. It reduced the price of the drug by a fifth, lowering the cost of a year's treatment to about \$4,000 in Britain, one of 37 countries where Retrovir is available.

The company said the move was designed to pass savings in was designed to pass savings in manufacturing the drug on to customers. Retrovir became available on prescription in April and is being used by roughly 19,000 AIDS sufferers, most of them in the US.

Wellcome based its initial price for the drug on the high cost

Wellcome based its initial price for the drug on the high cost-about \$50m - of bringing Retrovir into production. Sales in the year to August were about \$16m, making a minimal contribution to pre-tax profits. Taking into account the price change, industry observers expect sales in the current year to be \$100m to \$200m, with likely profits of \$200m to \$50m.

WELLCOME, the UK drug manufacturer, looks likely to have a virtual monopoly over AIDS treatments for at least the next.

Peter Marsh examines efforts to under development by Sweden's Astra; and a product known only as AL-721 which is being treatments for at least the next.

Indeed, the UK drug manufacturer, looks likely to have a virtual monopoly over AIDS treatments for at least the next.

Indeed, the UK drug manufacturer, looks likely to have a virtual monopoly over AIDS treatments for at least the next.

Although it appears that no other drug will compete with Retrovir until at least mid-1989, prospects for the drug beyond this are difficult to judge.

More than 2002.

More than 60,000 people More than 60,000 people around the world are known to have contracted AIDS, though there are probably many thousands of further cases where the disease has not been confirmed. The figure includes about 40,000 identified cases of the illness in the US, where the disease has been most highly publicised. Of those, about half have proved fatal.

Speculation about the extent to which the disease will develop - which will obviously affect the potential market for Retrovir are largely informed guesswork. According to the most gloomy projections, roughly 270,000 people in the US will have contracted AIDS by 1991.

Another uncertainty is poten-tial competitors for Retrovir. According to a recent study by the US Pharmaceutical Manufacturers' Association, at least 60 AIDS-related medications are under development in the US

Mr lan White, a drugs industry analyst at Greenwell Montagu, a London stockbroker, says attempting to predict a drug to compete with Retrovir is about as risky as betting on the Grand

is the less strong because the

and stopping the virus replicat- yet to reach the stage of clinical

The drawback is that it also interferes with the replication of other, healthy, biochemical fragressarch at Hambrecht and ments in the body, leading to the Quist, a New York bank, what-

It causes a variety of side-effects, including some cases of severe anaemia, which can require frequent blood transfusions.

Dr David Chernoff, assistant director of the AIDS clinic at the University of California in San Francisco, is treating 100 patients with Retrovir. In the nast you had a natient with

pastents with netrovir. In the macentreals.

past you had a patient with Although some of these drugs show promise, all have still to he said. "Now at least we can tide him over until something better occurs."

they were to be rushed through the said. better occurs."

Dr Charles Farthing, an AIDS specialist at St Stephen's Hospital in London, said Retrovir had shown "dramatic results in terms of patient improvement - but we definitely need something better".

Exactly what a better AIDS drug may be is a matter for speculation. Retrovir is based on a chemical that binds on to parts of the AIDS virus, blocking a and stopping the virus replications from research that has and stopping the virus replications they were to be rushed through licensing stages by regulatory authorities — as was the case with Retrovir, where many countries approved the drug with great urgency — most observers believe Wellcome will be unchallenged in anti-AIDS medications for the immediate future.

Ms Lindsay Jenkins, an analyst at the London office of Morgan Stanley, the US bank, said a new AIDS drug was more likely to emerge from research that has yet to reach the stage of clinical

ments in the body, leading to the side-effects.

Several other drugs which work in a similar way to Retrovir, by stopping biochemical reactions related to the disease, are now under atudy. They include dideoxycytidine, which Hoffman-La Roche of Switzerland is developing; Foscarnet,

Government loses round in spy book battle

THE GOVERNMENT has lost the latest round in its legal battle to prevent publication of Spycatcher, the memoirs of Mr Peter Wright, the former MI5 officer.

A court in New Zealand yester-

A court in New Zealand yester day rejected the Government's request for a permanent injunc-tion to stop The Dominion news-naper in Wellington publishing extracts from the book.

The decision was given in a written judgment from the High Court in Wellington.

An official at 10 Downing Street said: "There is a right of appeal but we shall be studying the judgment before making a

The Dominion had argued that t should have the right to pub-ish extracts from the book because it was of public interest.

Mr Geoffrey Baylis, the news-paper's editor, said the paper wanted to publish extracts of Spycatcher because Sir Roger Hollis, the former head of Mi5, who is mentioned in it, set up the security services in New Zealand and Australia.

He hailed the judgment as a victory for free speech and said his paper would resume printing extracts from the book tomor-

Spycatcher has already been published in the US, Ireland and

Low investment 'is threat to growth'

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INVESTMENT spending in the UK has become "disturbingly low" and threatens to stunt economic growth, the Engineering Employers Federation says in its annual submission to the Gov-

The ratio of spending on plant, machinery and research to consumption is "alarming", the submission says. The ratio is lower in the UK than among its major in the UK than among its major industrial competitors and, in terms of gross fixed capital formation to consumption, is half to one of four annual instal-

that of Japan. The federation, which has 5,000 member companies in engineering and allied sectors, is seeking changes in corporation.

At an interest rate of 15 per cent a year, the submission argues.

At an interest rate of 15 per cent.

eame footing as the treatme

other forms of expenditure.

At the very least, investment about 12 per cent in the 1960s to about 5 per cent in 1986.

The UK has shown some increase since 1983 in the ratio in no more than four annual of gross fixed capital formation

"We recognise that the recent performance of the UK economy has been good, especially so when compared with the disappointing growth rates of other leading countries, the federation.

What concerns us is that growth will be unsustainable without increased investment, training and research and devel-

H. says 100 per cent relief should be available for all investment spending to put the tax the federation says the ratio of treatment of investment on the control of the tax that treatment of the treatment of t consumption has fallen from

instalments, with full inflation to consumption but it remains adjustment for unrelieved expeniower than in most other com-

Nepiteus erwiktoninusties lead this sector.

OTHER FIXED INTEREST STOCKS

Kenneth Inglis remains well ahead in this sector.

UK EQUITY MARKET - GENERAL COMMENTS, FORECASTING AND STRATEGY

UK ECONOMY - GENERAL COMMENTS AND FORECASTING

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INTERNATIONAL ECONOMIES - GENERAL COMMENTS

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INTERNATIONAL EQUITY MARKETS - GENERAL COMMENTS, FORECASTING AND STRATEGY

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Copyright bill clauses worry aerospace groups BY MICHAEL DONNE, AEROSPACE CORRESPONDENT AEROSPACE and defence com-This is also worrying electron-

panies are expressing concern ics companies because many of over clauses in the copyright bill, their inventions are responsible now before parliament, which for the success of British-built over clauses in the copyright bill, now before parliament, which they fear could damage long-term rights over their inventions in aircraft, engines, missiles and spacecraft, losing them income from sales and royaltes.

The Society of British Aerospace Companies is expected to lobby for changes during the bill's committee stages.

The clause in the Copyright, Designs and Patents Bill causing most concern is no. 195 in part three, which specifies that three, which is pecifies that three, which specifies that three, which is pecifies that three, which is pecifies that the country's view, throws virtually everything it does open to commercial piracy.

The industry is also worried about clauses 220-223 in part three, which in effect gives the Crown, notably so far as aerospace industry of Defence, much wider powers than hitherto to use

space industry to cover every manufactured part, often involv-ing an original invention after years of research and the outlay of millions of pounds in developpowers than hitherto to use inventions and other products without infringing original copy-Ment.

Aerospare companies point out that they make their profits from selling spare parts over many years – sometimes more than 30 years – from the entry into service of an aircraft or engine.

without infringing original copyrights:

For example, clause 220 gives the Grown the right to dispose of articles no longer required "without infringing original copyrights.

The aerospace industry says in th

engine.

The aerospace industry says many clauses are so loosely phrased that they could be taken mean unique parts being legally to refer to almost any kind of expropriated by rivals, especially in other countries, which have spent nothing on research and these and other clauses development.

Data protection fine

THE FIRST case of failure to register under the Deta Protection by individuals who think the Act has been brought before the courts. A garage in Bedfordshire has been fined \$500 at Bedford organisations have registered out of between 200,000 and 250,000 considered eligible. The Grown Registrar, said yesterday that the prosecution Service is investigating further cases that might be

garage was one of several compaing sinvestigated for non-registration under the act, which
came into full operation last
month.

It obliges all personnel files bear

month.

It obliges all personal files kept tactic was to approach companies on computer by companies, nies and organisations with perorganisations, public bodies and individuals to be registered, out why they were not registered.

These are now available for tered.

BY MAX WILKINSON, RESOURCES EDITOR

BRITISH GAS should be encouraged to be more open about its pricing policy towards industrial customers so that potential competitors would have a better chance, Mr James McKinnon, director general of the Office of Gas Supply, said yesterday.

Mr McKinnon was introducing a study by Ofgas which says that direct competition to British Gas could develop in about two years' time when new North Sea gas fields come on stream.

Ofgas has no power to interfere with British Gas's price policy in the industrial market, but it does have a duty to promote competition where possible.

Mr McKinnon said he was convinced, after talking to more than 100 companies, that many consumers would like to see the development of alternative suppliers of natural gas, and several

Late tackle angers Maxwell

MR ROBERT MAXWELL cried return for him selling his inter- January 19, with any decision foul' yesterday after the Football League demanded he restrict son Kevin is chairman. Meanwhile, Mr Maxwell his soccer interests to just one club. The committee was not only incompetent, it could not be trusted, he said last night.

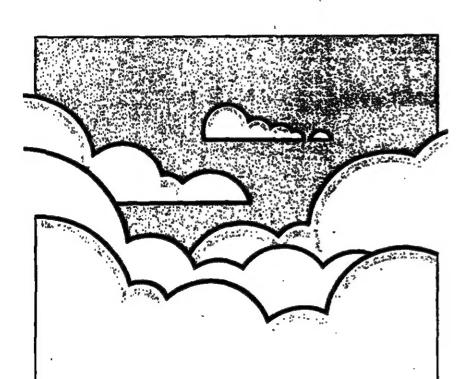
The league did seem to have delivered something of a late tackle. Its management commit-

delivered something of a late tackle. Its management committee threw out a compromise reached 10 days ago by Mr Maxwell and Mr Philip Carter, the league's president. That allowed Mr Maxwell's printing group, BPCC, to buy Elton John's controlling interest in Watford in

However, the committee now wants Mr Maxwell to sell his shares in Derby County and Reading as well, and concentrate on Watford. Mr Maxwell has had interests in Oxford, Derby and Reading for some years without-any action being taken by the

Meanwhile, Mr Maxwell unleashed a fusiliade of rhetoric at his opponenta. He said: "The Football League is now being run by small men with even smaller minds. Over the past few weeks, they have shown the impartiality, wisdom and farsightedness of a committee of Pakistani umpires. Illess the Pakistani umpires. Unless the clubs and their supporters stand Battle lines have been drawn.

The league will seek to tighten the rules at an extraordinary meeting of its club chairmen on destruction."



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A BREATH OF FRES	AIR CANADA

Union maintains bonus rates

THE COLLAPSE in stock mar-kets worldwide over the past few weeks and the lowering of inter est rates in the UK has not affected bonuses for investors holding with-profit life and pension contracts with Commercial Union Assurance, one of Britain's leading insurance com-

posite groups.

The company yesterday announced unchanged reversionary and terminal bonus rates and in second last year's energial 10

ary and terminal tomis rates and is repeating last year's special 10 per cent bonus payments.

Bonus declarations on withprofit contracts take the form of additions to the ultimate benefits paid on a contract.

The reversionary bonus is The reversionary bonus is declared every year and reflects roughly the investment income received by the underlying fund. The terminal bonus is added when the contract becomes a claim and reflects the underlying unrealised capital appreciation on equities and property investment.

Very few life companies have cut reversionary bonus rates in the past 40 years. However, the recent fall in interest rates is recent tail in interest rates it putting pressure on life company actuaries to do just that. Many admit that the investment return from new money is not sufficient to support current rever-sionary rates and that the short-fall is coming from reserves.

The recent stock market fall is likewise putting pressure on actuaries to cut terminal bonus rates especially for those compa-nies which increased rates during the year.

In addition, life companies have incurred a beavy financial strain by putting large amounts of new business on their books, a further factor putting pressure on actuaries for a bonus cut. The net effect of CU's

unchanged rates is to push up pay-outs to investors with Today, Norwich Union is also expected to announce unchanged boms rates.

Moss Bros sells shop site for £23m

By Meggie Uny

MOSS BROS, famous for hiring toppers and tails to Ascot-goers, has sold its London flagship

APRICOT COMPUTERS, the Birmingham-based company which has bounced back to strong profitability this year, is entering the fast-expanding market for field of parallel processing. In departmental computers with a machine designed by Sequent of reducing the US. store for \$23m.
The freehold site, valued at \$1.5m in the company's books, was bought by Kumagai Gumi UK, a subsidiary of the Japanese construction group.

The site, on the corner of King Street and Bedford Street in Cov-

the US.

The five-year deal will give Apricot rights to the Sequent computing costs. Sequent competending in the UK while in cessors that work in parallel rather than sequentially, and are able to sell the computer as part of its investment management to a tenth of the price of conventional computing. ent Garden, will be redeveloped for retail, office and residential use. Moss Bros will have a store or its investment management to a tenth of the price of conventional computers will be assembled at Apricot's plant in Glenrothes, Fife.

Two years ago, Apricot was hit by a financial crisis brought on by over-hasty expansion in the US. Since then the company has moved its product range up man het away from personal computers towards a broad range of desktop and now departmental machines.

The addition of the machines to Apricot's range means that it now covers a wide spectrum of the market, with the exception of large mainframes. Mr Roger Foster, group chief executive, said yesterday that Apricot's future product range was likely to include a mixture of equipment developed in-house and bought in from outside suppliers. within the complex.

Mr Wilfred Cass, chairman of Moss Bros, said yesterday the price was better by \$3m to \$5m than he had expected.

than he had expected.

Moss Bros will receive the bulk
of the \$23m in February 1989
and plans to use it for expanding its new chain, Suit Co, and its wedding dress business. It will also buy freeholds and keep part

also buy freeholds and keep part
of the proceeds in cash.
The \$23m compares with net
assets of \$5m for the group as a
whole at January 31. Moss Bros
shares gained 160p to 890p yesterday, where the company is
capitalised at \$27.1m.

shares gained 160p to 890p yesterday, where the company is capitalised at \$27.1m.

Morgan chief

for Rothschild

By Cave Wolson

MR ALFRED VINTON, vice-chairman of Morgan Guaranty, the New York commercial bank, is to take over as chief operating officer of N. M. Rothschild, the merchant bank, from Mr Evelyn de Rothschild, who will remain chairman and chief executive.

The appointment will take effect from mid-January. It is only the second time in recent years that a senior position at the private bank has been filled from outside.

BY RAYMONO SNOODY

MR MICHAEL CHECKLAND, director, shood of the BBC, yesterday welcomed the comprehent produced programmes by 1991.

MR MICHAEL CHECKLAND, director, shood of the BBC, yesterday welcomed the comprehent produced programmes by 1991.

Ms Sophie Balhetchet, chairman of the independent Producers Association, said the agreement offered "a set of practical and flexible guide-lines that provide the independent ing process to copyright ownership, programme distribution and exploitation.

The agreement is an important step towards the Government's gave the Independent Producers access to about 25 per control of Britain's four national television of radio. Of the 69 areas approved in principle for ILR franchises, 13 remain unserved.

Commercial London health workers offered low-interest 100% mortgages

A SCHEME to provide nurses and other National Health Ser-vice workers in London with cheap mortgages to help them buy their own homes was launched yesterday by Nation-wide Anglia, the third-largest

building society.

Under it health workers will be eligible for 100 per cent mortgages at two-thirds the usual interest rates. In return, the society ety expects to keep up to half the profits when a home is



buy homes on their own.
The National Union of Public Employees said the proposals were no substitute for a living wage. Nupe represents 80,000 nurses, 160,000 hospital ancilli-ary workers and 12,000 ambu-

ary workers and 12,000 shibs lance staff.

Mr Hector Mackenzie, general secretary of Cohse, the health care union, said: "Nurses in the capital will still have to club together to be able to afford a mortgage for nothing more than a look-up wardse."

Water proposals face hostility

Ministers and officials from the Department of the Environment will confirm that Mr Nicholas Ridley, the Environment Secretary, plans to set up a National Rivers Authority to take over all regulatory functions and some operational aspects of the industry, against the advice of most water authority confers.

The full plan, due to be dis-closed in a Commons written answer tomorrow, will show that Mr Ridley has stuck firmly by his own proposals for privatisa-tion and has not heeded the points made from within the industry during the consultation

Apricot agrees deal to

sell Sequent machine

BBC-independents deal

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

MINISTERS face an angry response today from water authority chairmen when proposals for the privatisation of the industry are outlined.

Ministers and officials from facilitate the early flotation of the following the industry the follows of the industry that industry the follows of the industry indus said yesterday it would work to facilitate the early flotation of the industry, the failure of min-isters to take its views on board

> However, this is likely to be unacceptable to the authority chairmen and there are hints that conflict on this issue could delay privatisation which is scheduled to start at the end of 1989 and go on into 1990.
>
> The association is arguing either for the privatised authori-

flood protection, pollution con-trol, havigation and fisheries — or long-term contracts covering the full 25 years of the privatised

The Government's short term contract approach would, according to the association, confuse lines of responsibility and

The Government will be represented at today's meeting at the association's headquarters in London by Lord Belstead, the minister in charge of the water industry; Mr Colin Moynihan, junior minister at the DoE; Sir Terence Heiser, permanent secretary at the DoE; and Mr John Gunn, in charge of the department's water directorate.

Waste flaw in fusion reactors

By David Flablock, Science Editor

NUCLEAR FUSION reactors, is ever developed, would produc substantial quantities of radioac tive waste, according to a study published today by the Govern-ment's watchdog on public expo-sure to radiation.

The study answers some critic of nuclear energy who say nuclear fission technology should be abandoned, and research refocused on the "clean" technology of controlled thermo-nuclear fusion — the H-bomb

The National Radiological Pro-tection Board's study concludes that a fusion reactor would make hundreds of tonnes of nuclear

waste a year and a nuclear fusion programme to meet pres-ent demand for electricity could produce 100,000 tonnes of waste

in the ranking of the 70 countries covered by the consultancy of the Culham Laboratory of the ences in the price of a shopping-basket of essential consumer and the fusion reactor, says waste would arise mainly as engineering materials were damaged by intense radiation. The weakened parts would need to be replaced regularly and some parts would be an intensely irradiated that they would be categorised as high-level radioactive wastes.

A recent appraisal of Britain's publicly-funded energy research and development programmes, which awarded up to four stars for the cost-effectiveness of the research being done, gave none to nuclear fusion, which it rated unpromising economically.

Radiological aspects of the management of solid wastes from the operation of D-7 energy labels.

A recent appraisal of Britain's heavily influenced by exchange rate move down the international ranking from 47th place in 1980 has also been helped by relatively restrained inflation.

The shopping-basket's cost has friend reactions, by J. P. Davis above 1,000 per cent for west-fusion reactors, by J. P. Davis above 1,000 per cent in some theses.

Trade deficit widens to £3bn

THE DETERIORATION in Britain's balance of payments was underscored yesterday by official figures which show a widening in the current account deficit to a seasonally adjusted \$1.2bn in first nine months of this reasonally.

£1.2bn in first nine months of this year.

The detailed figures released by the Central Statistical Office showed that Britain's trade deficit grew to £3bn in the third quarter, compared with £2.4bn and £1bn in the second and first quarters of this year.

The trade gap was only partly offset by earnings from tourism and investments abroad. The extent of these earnings over the past nine months was written

extent of these earnings over the past nine months was written down by the CSO after it revised earlier figures.

The UK's trading position is important for the level of exchange and interest rates. The current strength of the domestic economy combined with the deterioration in the balance of payments will create problems for Whitehall if it continues.

Many City analysts believe the trading position will worsen next year and that the Government will either have to raise interest rates to defend the pound or intervene in foreign exchange markets to prop it up.

The Treasury expects a \$2.5bn current account deficit for the year and a further deterioration

vear and a further deterioration to \$3.5bn in 1988. It forecasts a decline in oil revenues and expects non-oil imports to remain strong compared with exports because of the buoyancy of Britain's economy relative to

its main trading partners.
However, many independent forecasters believe the forecast is optimistic and estimate next year's deficit at about \$4bn.

Preliminary figures showed that invisible earnings, which consist of earnings derived from services, interest, and profits and dividends on investments abroad, were overestimated by \$100m during the first quarter and underestimated by \$100m in and underestmented by 2.123m in the third quarter, For the second quarter, however, a downwards revision of \$464m was made after incorporating new data. UK direct investment in for-eign manufacturing and service industries amounted to \$5.55m in the chief cuerter semint \$4.00m.

the third quarter against \$4.9bn in the second quarter, while UK investors in foreign shares and government bonds reduced their holdings by \$200m compared with a \$800m reduction previ-Foreign investment in UK

manufacturing and services amounted to \$2.4bh in the third

Britain's living costs 'cheaper than most'

IT is now cheaper to live in the UK than in most of the world's commercially active countries. according to figures published yesterday by Employment Conditions Abroad, a consultancy which advises multinational companies on pay and living costs in different lands.

Britain is this year placed 57th in the ranking of the 70 countries covered by the consultan-

Industrial output figures buttress post-crash optimism

OFFIGIAL optimism that position during the first nine Britain's economy may escape months of this year.

The last time there was a fastock-market crash was ter expansion in manufacturing reinforced yesterday by figures was in 1973, when output was showing manufacturing output rising at an annual rate of up to growing faster than at any time 14 per cent. Manufacturing production is now 2.5 per cent duction is now 2.5 per cent above the last cyclical years. OFFICIAL optimism that position during the first nine

three months to October was 2 per cent above the previous three months and about 6.5 per cent higher than a year earlier.

Government statisticians believe the 6.5 per cent increase represents the underlying annual rate of growth, marking an acceleration from the 5 per cent to 5.5 per cent seen earlier in the year.

City economists said, however, that if the figures suggested fears of a recession next year had been overstated they also fusiled concern about the risk of a revival of inflationary pressures. Those fears were strengthened by separate statistics also out yesterday showing a significant deterioration in Britain's trade

The Central Statistical Office above the last cyclical peak seen said manufacturing output in the in 1979 although still 2.5 per three months to October was 2 cent below the record level seen

1986, most sectors of manufac-turing have shown strong growth over the past 18 months. Recently the most buoyant sec-tors have been motor vehicles,

tors have been motor vehicles, where a surge in production during September pushed the increase during the latest three months, compared with a year earlier, to more than 17 per cent. Over the same period, metals production was 11.1 per cent higher and the plastics and rubber products industries recorded similar growth. Output of electrical and instrument engineering equipment, which includes computers, rose almost 7.5 per cent. In contrast, and despite a relatively strong performance in the past three months, output of the man-made fibres industry stagnated compared with a year before.

More jobs created in worst-off areas

BRITAIN'S most depres steel works in the early 1980s - has seen a higher percentage fall in long term unemployment than a

the most significant falls in the numbers of long-term unemployed, figures pub-lished yesterday by the Manpower Services Commis-sion show.

tion show.

The figures support ministerial claims that some of the areas benefiting most from the fall in the jobless total have been those parts of the country where areas pleyment — especially lons.term anexployment long-term unemployment . has been highest.

The MSC statistics, published in its quarterly Labour Market Report, past three months, output of the man-made fibres industry stagnated compared with a year before.

The index of manufacturing output stood at 113.1 in October (1980-100) compared with 112.0 in September, while the industrial production index was at 115.4 against 114.4

Labour Market Report, show that every region of Britain saw unemployment full in the year to September 1987, with areas of the morth and Wales seeing drops higher than the national average.

Consect, for instance, in north-west Ragiand - badly hit by the closure of its

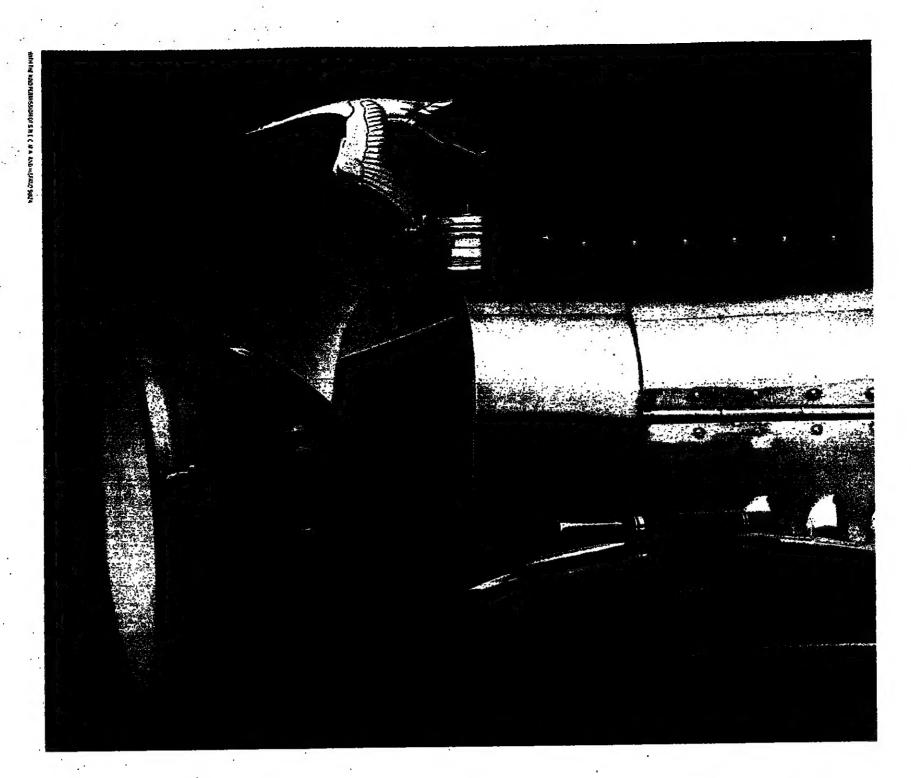
A further fall in overall unemployment totals is expected tomorrow when the Government publishes its monthly national labour market statistics.

market statistics
On local labour markets,
the MSC cautions against
taking the trends in its
report as conclusive proof
of the effectiveness of the
Government's policies.
However, it says its study
"does indicate that those
areas where the most effort
is being focused are beginning to reap the benefit."

highly prosperous town such as Winchester, in the

and Hartlepool in the north-west, have seen among the highest falls in youth long-term anemploy-

Towns such as Sunderland



Little wonder they don't build cars like they used to. Building a pen is difficult enough.

Oh, the elegant lines of the 1925 Hispano Suiza. Oh, the elegant lines of the 1927 Parker Duofold.

The car may no longer be available, but our approaching centenary has provided a suitable excuse for the return of this favourite Parker pen design.

Like today's top cars the Duofold Centennial's working parts are state-of-the-art.

But unlike them, its workmanship is somewhat old fashioned.

Rather than mould the cap and barrel 'en masse,' we machine them as we did in the old days, from a solid block.

Rather than cut the nib from some modern metal, we stay true to gold.

Rather than slit the nib on some new fangled contraption, we still do the job by hand, using a blade no thicker than a human hair.

And just as Hispano Suiza road tested its cars thoroughly after manufacture, each Duofold Centennial is examined by a white gloved inspector. If deemed perfect, it is filled, written with and cleaned before being released for sale.

It is an exhausting way to produce a pen. But, as with the Hispano Suiza, the looks and handling provide ample reward.



PARKER *

sylvest regions. The construction by Trafalgar House of a bridge over the Thames between Dartford in Kent and Thurrock in Essex has run into political problems at Westminster which could delay construction and add to the cost.

A row is now likely between a number of Tory MPs and the Government over the recommendations of a special select committee investigating the bill. Yesterday, as expected, the committee reported in favour of amending the measure to include a special wind shield on the bridge for safety reasons. This was by a 5-to-1 margin, with two Tory MPs voting in favour of the bridge for safety reasons. This was by a 5-to-1 margin, with two Tory MPs voting in favour of the bridge for safety reasons. This was by a 5-to-1 margin, with two Tory MPs voting in favour of the bridge for safety reasons. This was by a 5-to-1 margin, with two Tory MPs voting in favour of the bridge for safety reasons. This was by a 5-to-1 margin, with two Tory MPs voting in favour of the bridge for safety reasons. This was by a 5-to-1 margin, with two Tory MPs voting in favour of the bridge for safety reasons. This was by a 5-to-1 margin, with two Tory MPs voting in favour of the bridge for safety reasons. This was by a 5-to-1 margin, with two Tory MPs voting in favour of the bridge for safety reasons. This was by a 5-to-1 margin, with two Tory MPs voting in favour of the bridge for safety reasons. This was by a 5-to-1 margin, with two Tory MPs voting in favour of the bridge for safety reasons. This was by a 5-to-1 margin, with two Tory MPs voting in favour of the bridge for safety reasons. This was by a 5-to-1 margin, with two Tory MPs voting in favour of the bridge for safety reasons. This was by a 5-to-1 margin, with two Tory MPs voting in favour of the bridge for safety reasons. This was by a 5-to-1 margin, with two Tory MPs and tole the prime Minister to say whether the clear that the Prime Minister to say whether claim that it is expanding and is not in the Called on the call mark to be the claim of the MES were claim tha

cient to compensate for the delay and any increased cost.

The Government, which opposes the change, has esti-mated that it may add between

sure which is already hybrid since it affects particular rather than general interests.

The word lest night was that he had suffered no permanent damage and was in good spirits, receiving a series of visitors, including Mrs Thatcher for 20 minutes, as well as several fellow Ministers have indicated that, after considering the report, they may seek to override the com-mittee's recommendation on the wind shield during the bill's

wind shield during the bill's report stage.

This view has angered members of the committee, including senior Tories, who feel that the Department of Transport mishandled its evidence and smalled nandled its evidence and repre-

sentations.
These MPs say that it would be wrong for the wind shield proposals to be voted down in the Commons and that the proper course would be for the Government to put its case afresh to the Lords special select committee which will consider the project.

cial institutions which have invested in the scheme.

invested in the scheme.

The addition of a wind shield would increase construction costs by between £13m and £19m, The extra cost would mean higher tolls and possibly a delay in returning the bridge to public ownership.

The company said its protessional advisers had carefully considered likely wind conditions on the bridge and had concluded that windshielding was

cluded that windshielding was not justified.

Trafalgar House, a strong sup-porter of government plans to use private money to pay for major infrastructure projects, is critical of the committee's attempts to change at such a late stage the project's guidelines – a move which might deter other private investors from pursuing private investors from pursuing similar ventures.

The committee criticises the way the Department of Transport's presented its case and records the considerable difficulrecords the considerable unfath-ties faced by a committee mainly of laymen in assessing highly technical points made by expert witnesses who disagreed with

each other.

In Iace of the opposing views of the Dartford and Thurrock councils, the committee decided that the crossing should be known as the Dartford Bridge, as it is already commonly known. it is already commonly known.

More telecoms competition in EC urged

By Terry Dodsworth, Industrial Editor

THE EUROPEAN Community should push ahead with radical moves to open up the telecommunications industry to greater competition, the House of Lords says in a report published today. The report, by the Lords Euro-pean Communities committee, broadly supports the outline policy statement on telecommunications policy produced by the EC tem.

Fresh challenge to PM on NHS

RESPONDING to further chailenges about the state of the
National Health Service in the
Commons yesterday Mrs Margaret Thatcher, the Prime Minister, infuriated the Opposition
benches by again citing a string
of statistics to back her claim
that it is expanding and is not in

that it is expanding and is not in

that it is expanding and is not in

the described the petition, with
the described the petition, with
the described the petition, with
the described the petition of the NIHS were
the petition signed by 1,200
to the pe

Mr Kinnock reminded her that Sir George Godber, formerly the Government's chief medical offi-cer, had stated that it was useexpenditure when what mat-tered was the volume of services not being provided, or which were too long delayed.

The Labour leader pressed for an assurance that funds would be received to being head into

an ssurance that funds would be provided to bring back into service the hospital beds which had been withdrawn, finance pay awards for the nurses, and to stop the rot in the NHS.

Mrs Thatcher retorted that the more and better-paid doctors and nurses.

"That is what Mr Kinnock does the said."

growth in the gross national patients which needed to be product had already been met taken into account. For every since the proportion of GNP three hip replacement operations devoted to it had now reached carried out in 1978 there were carried out in 1978 there were now four; for every two cataract operations, there were now three

To cheers from her supporters, the Prime Minister said: "We expanding health service and it have done better than they will continue to expand."

referred to £700m it had already been established that area health authorities needed a larger sum to meet known commitments, including a further \$48m result-ing from the increase in electricity prices planned by the Gov-

Mrs Thatcher continued to

"That is what Mr Kinnock does not like," she said.

When Mrs Thatcher quoted a former Labour Health Minister's recognition that demands on the health service were infinite, Mr Kinnock told her that most governments had accepted that fact as a challenge.

"Your Government"

by-election there.

A possible stop-gap would be to appoint one of the former

Poll tax critics step up protests

CRITICS of the bill to replace She declared: "This is an appanding health service and it will continue to expand."

Mr Kinnock contended that while the Prime Minister had while the Prime Minister had while the Prime Minister had second reading second reading.

second reading.
Over 30 Conservative backbenchers, including two former Cabinet ministers, Mr Michael Heseltine and Mr John Biffen, have now signed a motion instructing the standing commit-tee on the bill to consider pro-

tee on the bill to consider proposals to make the charge more fair by banding the payments in proportion to ability to pay.

The Speaker will announce this afternoon whether he will call the unusual motion, but the expectation last night was that he would decide against. Nevertheless, the largest Tory backbench revolt so far this parliament is expected on the main ment is expected on the main second reading vote. Mr Jeff Rooker, Labour's local

government spokesman, yester-day published an analysis of the day published an analysis of the impact of the proposals on his Perry Barr constituency in Birmingham, showing large numbers of losers, notably among owners of cheaper inner-city housing. He said there would be a redistribution in favour of the city's wealthier suburbs.

A pamphlet published this morning by the Tory Reform Group, a body of traditional mainstream Conservatives, says the charge would fail to achieve the desired accountability and showed every sign of being an

showed every sign of being an administrative nightmare.

The group has already urged the retention of a property tax, at a much lower level, and the introduction of a local income tax. As interim measures the pamphlet (Reform of rates: Getting the Government off the hook) proposes the abolition of the 20 per cent charge payable Cabinet members now in the Lords—such as the former Mr Nicholas Edwards and the forby people on income support, the abandonment of the uniform business rate and the examina-tion of the case for a banded community charge related to

Extended time for drinkers-up

DRINKING-UP time in pubs extended from 10 to 20 min-utes is planned as the result of an opposition amendment accepted by the Government yesterday in preference to a Tory backbench proposal to allow 30 minutes for drinkers

During today's standing committee stage of the Licensing Bill, Mr Douglas Hogg, a junior Home Office Minister agreed that a 20-minute period would help to reduce closing-

RESPONDING to further chal- divides the two front benches.

borders for Christmas. The

and the Cabinet's chief concilia-

munication of official informa-

Mr Douglas Hurd, the Home Secretary, announced in a parlia-mentary written answer yester-day that work on finding 'effec-

tive, enforceable and reasonable provisions" to replace section 2 was continuing and the Government intended to bring it to a

"When the work is complete, we shall lay before parliament a white paper setting out the Government's proposals for reform of the present law, with a view to early legislation," Mr Hurd added.

conclusion later this ses

Professional in amateur's clothing mated that it may add between one and three years to the time of construction and cost an additional \$15m.

Moreover, the proposed amendment could create proceding from this mini-stroke — to the univerable amendment could create proceding from the proposed amen

Moreover, he faces an exceptionally heavy load in the Lords next spring with the rates health bills likely to tax the Government whips abilities to the full. It will not be an easy time tives — Sir Geoffrey Howe, Mr George Younger, or one of the former Cabinet members who have recently been ennobled after-retiring from the Commons last June.

Sir Geoffrey would be the figure with the greatest political

There are three other alternatives — Sir Geoffrey Howe, Mr George Younger, or one of the former Cabinet members who have recently been ennobled after retiring from the Commons lest hune. succeed him, but also because in due course, as the eldest son of Viscount Younger of Leckie, he will have to decide whether to leave the Commons or to renounce. But he had a majority of only 182 in Ayr last June and the Tories will not want a

Following his mild stroke on Monday, Lord Whitelaw is reported to be recovering and no permanent

three-week perliamentary recess will give him time to recover and the Government line yesterday was that there was no reason why he should not return full-time. Any talk of his replacement was naturally, and firmly, However, Lord Whitelaw, who

is reported to be recovering and no permanent successor is yet to be sought. PETER RIDDELL assesses the consquences of his illness for Mrs

Thatcher and the Government

for whoever leads the Lords and Lord Whitelaw has already warned that the Government whitelaw has already warned that the Government faces defeat on certain measures, notably over aspects of the education bill.

Mrs Thatcher obviously wants Lord Whitelaw to stay on if he feels up to it after Christmas.

Nevertheless, there has inevitably been talk about a possible replacement. Lord Belstead, the experienced deputy leader, will be the caretaker while Lord Whitelaw is away, but is an unlikely long-term successor.

Lord Young, the Trade and Lord Whitelaw's responsibility or is away, but is an unlikely long-term successor.

Lord Young, the Trade and Lord Whitelaw's responsibility or is away, but is an unlikely long-term successor.

Lord Young, the Trade and Lord Whitelaw's leader as concerned to the balling the position and any of the Belstead, the leaser steel as concerned to the balling the position and any of the letter was to remind the political world of his distinctive viewpoint, perhaps been central to the balling the political and the former Mr Nicholas Edwards and the former Sir Humphrey Atkins.

All these choices pose problems — which is why in the short term Mrs Thatcher no doubt wants to put off any change, at least until next summer and autumn. And Lord Whitelaw himself is never to be underrated. After all, earlier this autumn, he helped to block the appointment of Lord Young, the Trade and Industry Secretary, as Conservative Party chairman, and was mainly responsible for the departure of Lord Havers as Lord Chancellor.

As the political ambility and the former Mr Mitches and the former Mr Mitches wants to put off any change, at least until next summer and autumn. And Lord Whitelaw has a least until next summer and autumn. And Lord Whitelaw has a position being foreign Secretary and as the letter to his constitution being for the has no Lords special select communities which will consider the project.

Dartford River Crossing, the company established by Trafalingar House to run the crossing, said last night that its financial arrangements would have to be reviewed if it was to include a windshield on the bridge. This could mean the company having to resubmit proposals to financial constitution of the project.

However, Lord Whitelaw, who is 69, has already been talking about retirement at some stage in this parliament. The House of feels up to it after Christmas. Nevertheless, there has inevitably been talk about a possible ger the quiet Elysian Fields to which Disraeli went as Lord Bearonsfield.

In addition to all his responsitions are successor.

private member's measure spon-sored by the Conservative back-bencher, Mr Richard Shepherd. His Protection of Official Infor-mation Bill proposes a more radi-cal reform of the law to encour-rage greater openness and to limit protection to more narrowly defined official information.

defined official information.

Mrs Thatcher has, however, said she does not believe a backbencher should put forward such a measure and has refused talks.

The measure's sponsors see Mr Hurd's announcement as merely a device to deter potential Tory supporters, and they intend to press ahead, arguing that no detail has been given of what the Government intends to do.

Government intends to do.

The bill has attracted wide-

and the Cabinet's chief conciliaLord Young, the Trade and avoid an early reshuffle.

departure would create a large,
tor, Lord Whitelaw has been Industry Secretary, has ambiMr Younger also enjoys his irreplaceable gap. Backbench move on

benefit

TORY backbenchers joined with MPs on the Opposition benches in the Commons last night in a tactical exercise to demonstrate to the Government the wide-spread support for preserving child benefit and ensuring that it at least retains its value in real

They combined to provide a 214 majority (234-20) for Sir Brandon Rhys Williams (C. Kensington) when he sought

Kensington) when he sought leave to introduce a private member's bill designed to achieve this objective.

Its provisions — unlikely to reach the statute book — would require the Chancellor of the Exchequer to consider child benefit as well as personal tax allowances for annual uprating in line with any increase in the retail price index over the previous 12 months.

months.

Two of Sir Brandon's leading supporters, Mr Frank Field (Lab, Birkenhead) and Mr Tony Marlow (C, Northampton N) forced a division in a bid to flush out the relatively few Government supporters willing to be out the relatively few Government supporters willing to be identified as being prepared to back the official party line that it would be wrong to bind the Government to such a formula. Sir Brandon recalled that Mr Nigel Lawson, the Chancellor of the Exchequer, played a leading part in introducing the indexation formula embodied in the bill when the defeat of the last Labour Government in a Finance Bill committee resulted in the Bill committee resulted in the so-called Rooker, Wise, Lawson amendment becoming law.

The Child Benefit (Uprating) Bill would also make future Bill would also make future increases a charge on the National Insurance Fund.

Sir Brandon stressed the importance of child benefit, currently \$7-\$25 per week, in providing assistance for 7m families with children without involving any means test.

He said between 15m and 16m people were dependent, in one way or another, on means tested benefits and many of them saw no purpose in working or saving when they took account of the consequential effects.

any means test.

Sir Brandon calculated that the introduction of the commu-

Bank of Scotland Scotplan and Scotmaster Accounts

With effect from 21/12/87 the rate of interest charged on Scotplan and Scotmaster accounts will be 1.50% per month (APR 19.50%).

From the same date the creditor rate of interest on Scotplan accounts will be 0.42% per month net of basic rate income tax, equivalent to a compounded annual rate of 5.29% gross of income tax.



Prudential Realty Securities III, Inc.

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PRUDENTIAL REALTY SECURITIES III, INC. By: The Chase Mandatas Saya (National

added. spread cross-party support. Ministers revealed last month including that of a number of that such work was under way, prominent ex-ministers. Tories stage revolt over dog licence abolition

White paper planned on

THE Government is to publish a and the promise of early legislawhite paper next year on its proposals to reform section 2 of the
posals to reform section 2 of the
Official Secrets Act, the catch-all
and much-criticised clause which
bencher, Mr Richard Shepherd.

secrets law next year

Mr Jeff Rooker, from the Labour front bench, attacked the Government for imposing the mwas not required in order to have effective control of prob-Government for imposing the have effective control of prob-whip against his amendment to the Local Government Bill pro-posing that councils be allowed the extensive regime of legisla-tion in existence, none of the to impose a dog licence fee of need for action to be taken, in between \$10 and \$20 and use the proceeds for a dog warden sys- ing

icy statement on telecommunications policy produced by the EC in a green paper earlier this year. But it goes further than the EC document, recommending that more of the market should be exposed to competitive pressures.

The Lords committee suggests it should be the 'ultimate objective for monopoly services to be eliminated from all EC countries," and for most subscribers to have a choice of services.

It sees no reason why EC countries should not follow the UK and abandon the requirement that each subscriber's first telephone should be rented from the system operator.

The committee argues that the control of the ment of the market should not follow the UK and abandon the requirement that each subscriber's first telephone should be rented from the system operator.

The committee argues that other countries should consider establishing regulatory bodies — such as Oftel in the UK — which sare independent of the system operators, and contends that there is no convincing justification for limitations on the resale of spare capacity on leased lines.

The comment of the debate on the document, Mr Booker said the debate on the dos writing already rile at 37½p, would be even greater if the fee was \$10.

The Lords committee suggests and the document was defeated by 286 votes to 229, with a number of Tries abstaining and by a higher dog licence fee.

Mr Tony Banks (Lab, North), Mr Booker said the Government by a higher dog licence fee.

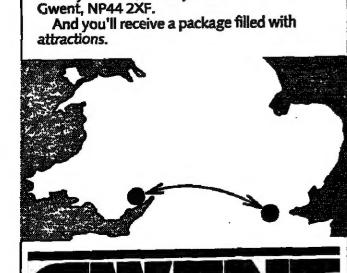
Mr Charles Irving open that the laws and by laws without the resources to enforce them, which would be provided to the dogs.

Mr Tony Banks (Lab, North), Mr Booker said the to clean up th

THE GOVERNMENT'S majority said the "nonsense" of the exist-fell to 57 last night when a num-ber of Tories defied a three-line whip ministers had imposed on its proposal to abolish dog

Mr Howard said evasion,

the introduction of the commu-nity charge or poll tax could result in a further 2m people being ineligible to apply for means-tested benefits. He said: "This country cannot continue if we have an inexora-bly rising number of people obliged to apply for means-tested benefits."



Part of Gwent's attraction is that it's so

for business and commerce. Rents are

competitive, help for newcomers is readily

major cities in Britain.

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MANAGEMENT

THE LESSON which ESAB of Sweden, the world's leading welding equipment manufacturer, might wish to teach to others about how to dominate the European market would have to be this - buy up as many of your competitors as possible and shut down surplus capacity, but keep the acquired brand names and sales forces.

the acquired brand names and sales forces.

This philosophy was born of necessity at a time when Esab and its competitors were embroiled in a tough battle for market share. They were operating in a mature industry which was suffering from overcapacity and which in the late 1970s was being affected by the consequences of high oil prices.

The main problem was the decline in steel and shipbuilding, two of ESAB's main markets not only for welding machines but also for "consumables" such as electrodes and welding rods. As

also for consignating size as electrodes and welding rods. As oil prices rose, ESAB experienced a 10 per cent drop per year in demand for electrodes. The group believed the downturn was temporary, but by 1977 it was in bad shape — and stayed in the red for the next three years (1977-79), with losses exceeding SKr50m in 1978.

The board's reaction was to start closing down factories and selling stocks. The effect of this was limited; but the company broke even in 1980. What ESAB needed was a new management

needed was a new management plan.

It was provided by Bengt Eskilson, who joined as managing director and chief executive officer in 1980 and who decided that ESAB's survival depended on it becoming the market leader in Western Europe.

Eskilson is someone who finds it impossible to conceal his enthusiasm for such problemsolving. He is also what could be described as an "Electrolux Man" — even though he never worked there. He had in fact previously worked in competition against Sweden's white goods giant when he was at a company called Asea Cylinda, and had seen how Electrolux tackled the problems of expanding in a mature market.

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Furthermore, he was not afraid to asks questions directly of Goesta Bystedt (then the managing director of Electrolux) on how to overcome ESAB's diffi-

culdes.

The answer was to buy up loss-making companies cheaply and their reorganise them in such a way that the customer is not disturbed, he says. This means keeping the same brand names, products, sales force and service, while trying to improve the "behind the scenes" picture so that ESAB benefits from scale in production, buying, distribuin production, buying distribu-tion and lower administration

The acquired companies many of them substantial loss-makers - have boosted group turnover from about SKri.5bn in turnover from shout SKri.5bn in Laying off staff is costly and in 1980 to SKribn in 1988 and 1986; and have been accompanied by, ficulties because of the time it machines in Laxa (Sweden)



ESAB: a strategy to reshape an industry

Acquisitions are crucial for the Swedish welding group. Sara Webb reports

factory closures wherever ESAB found it necessary to cut produc-tion. They include the following

acquisitions:

in 1980, ESAB Varios-Fabricken in the Netherlands (factory subsequently closed) and Hancock GmbH in West Ger-

many (factory closed);

in 1982, ESAB Iberica SA in Spain, Hancock (las Cutting UK (in the process of closing), and GKN (factory closed);

in 1983, Werner Elchholzer AG in Switzerland, BOC Welding Division UK, and Arcos SPA in Spain. Spain;
in 1984, IIG Welding Divison in

ireland;
in 1985, Philips Welding Industries Europe (closed factories in Sweden, the UK and in the process of closing one in the Nether-

lands).
In the lest five years alone, ESAB has closed 15 electroles. factories, three wire factories and five machine factories it has proved expensive, and the fall in oil prices in 1986 meant a further setback as the offshore time-consuming and expensive. In his experience, the easy places sis"; the positive effects have taken time to show up in ESAB's Germany and the UK.

Today the group produces its

ESAB, the world's leading welding equipment group, showed profits (after financial items) in 1986 of SKr150m (£13.8m) on involced sales of SKr3.96bn (£364m).

Its main business areas are:
• welding consumables such

welding consumables such as electrodes, solid wire, and flux-cored wire, which last year accounted for SKr1.95ba (or 49 per cent) of invoiced sales; o welding machines, including machines, including sales and accounted to the sales are sales and accounted to the sales are sal ing attudard, semi-auto-matic, and automatic machines which account for 39 per cent of group sales,

takes to negotiate with the unions. "It's impossible to lay off people in Spain," complains Esklison, adding that France and Italy are also difficult, and in the Netherlands "there are very rigid rules on how to do it, and it is time-consuming and expensive".

or SKr1.528bn last year; or shribten machines, using gas, plasma, lasers and water jets, account for 8 per cent of sales, or SKr329m in invoiced sales;

and
o gas welding equipment
made at a joint venture
between ESAB and Aga of
Sweden; showed invoiced
sales of SKr153m (or 4 per
cent of the group total).
ESAB's main competitors

in the welding equipment sector include Lincoln Elec-tric of the US, and Air Liq-nide. of France in the French, Italian, Spanish and Beigian markets.

while its cutting machines are made in West Germany. It has its two stick electrode factories in Sweden (Gothenburg and Perstorp), while the general electrodes are produced in the UK, West Germany. France Spain storp), while the general electrodes are produced in the UK, have to design products to meet West Germany, France, Spain, different market needs," says and Italy. Flux-cored wire is produced to Welsham Cores and States.

duced at Waltham Cross near

London and at Utrecht, in the Markets use alternating current (AC), some direct current (DC)

It is essential to maintain the and clearly in an AC country acquired market share by retain-ing the multi-brand identity and welding equipment. Different serving the customers with the local standards, such as for

same products with the same people as before," says Eskilson. ESAB is now a multi-brand company offering at least two company oliering at least two-and usually three - separities brands in each country. In the UK, it offers seven different brands (ESAB, Murex; Arcos/ Lincoln, Brinal, Hancock, Big and Fliarc), following the acqui-sition there of the welding activi-ties of BOC, the industrial gases aroun the welding division of

group, the welding division of the GKN engineering group and the welding operations of the Dutch Philips group.
The BOC deal helped to wider ESAB's product range and the group decided it would be more efficient to centre the development and production of flux-cored wire for the group in Wal-

safety, mean it is extremely diffi-

safety, mean it is extremely difficult to standardise products.

There are also what one might call the cultural differences. For example, in West Germany, customers require a much higher performance than in Italy, where customers actually expect equipment to be less durable.

ESAB says that when moving into a market it has to follow the market leader as far as design goes. "The market leader sets the standard," says Eskilson. So if the market leader in Germany produces cooling equipment with big wheels. ESAB has to do so too, until it is in a dominant enough position to start introducing different models.

The welding industry (especially electrodes and to a lesser extent, welding machines) is also characterised by great brand loyalty. Customer loyalty is akin to that in the consumer market,

that in the consumer market, claims Eskilson. Customers have strong preferences for different colours of coated electrodes and even for the different smells dur-

ing welding.
Management in the other Management in the other European countries is nearly always predominantly local. ESAB has recently embarked on an extensive training programme for its sales staff which it hopes will make them "more useful when it comes to solving the customers' problems, and not just good at selling the products," according to Jan Lindberg, head of information.

As part of the training, they have had to learn a lot more about the products and mechanism

about the products and mechanisation processes so that they can advise on the choice of cutting and welding process equipment. The group is also working on developing a system for trimming inventory and organising the way products are transported to ESAB's subsidiaries. This was considered particularly important because the carrying cost for inventory was calculated to be about 1 per cent of inventory value per week held. However, it

value per week held. However, it is taking time to introduce and continue developing the system.

When asked if he would have tackled ESAB's problems and growth in another way – given the benefit of hindsight – Eskilson says he would have acted faster and put in more management so that he had people busy penetrating the market as well as restructuring.

Esab intends to continue its strategy of buying market shares, particularly in central European countries. It is already strong in Scandinavia, the UK

strong in Scandinavis, the UK and the Netherlands, but wants to strengthen its position further in Italy, France and West Ger-many. Indeed, this week it announced the purchase for an undisclosed sum of Held, a German maker of lasers for welding and cutting and a world leader in its sector. The company will

called Esab Held. Previous articles in this series appeared on October 14, 21, 28, November 2, 13, 18, 25, December 2 and 2

The chief executives who are just wild about their products

ONE the many stories told about the legendary Akio Morita, co-founder of Sony, is that he has special poacher pockets fitted in his well-cut suits so he can carry the Jap-anese company's latest electronic gadgets around the world with him. He is not a closet smuggler - it's just that he likes to show Sony's wares off at the New York dinner table, or on the Lon-don conference platform.

America, too, has bosses who are proud of their products - one of them, the ubiq-uitous Victor Kiam, grins out of the television screen almost every Christmas, pro-claiming that he liked Remington shavers so much that "I bought the company".

In Britain, most top-level manufacturers are reticent about their wares. For every Sir John Egan, promoting Jag-uar cars like crazy, there are a thousand chief executives who either don't know about their products, or don't care. Out of 30 companies visited by a researcher from Kings-ton Polytechnic two years ago, only three cared enough even to put pictures of their products in their boardrooms. Such myopia is not just careless, but potentially fatal, warns "Winning Ways", a compendium of lessons about

how winning companies create the products we all want to buy". For if top management fails to care - or fails to broadcast its commitment - why should its employees bother to help design and make things well? And if the make things well? And if the bosses have no direct contact with the way customers use the product (or why they don't), then what chance does their company have of suc-

"Care about your products" is one of a dozen themes collected by the book's author, James Pilditch, from his long experience as the owner of a once-thriving design consultancy, and from his subsequent experience as chairman of a National Economic Development Office working party on design and commercial

In the latter capacity, and again in the book, Pilditch drew on a wide range of material from other writers, much of it familiar to readers of this page. The authors he quotes most extensively – much of the book is almost self-consciously derivative -

range from Peiers and Water-man ("In Search of Excel-lence") to Kenichi Ohmae ("Triad Power") and even (to declare an interest) my own writings ("The Design Dimen-sion")

This degree of sourcing may deter the best-read executive deter the best-read executive, but even such a paragon will admire the way Pilditch has pulled together, into 250 ele-gantly-written, personal pages, such topics as vision-ary leadership, competitive analysis market research. analysis, market research. corporate organisation, the role of engineers, the value of inter-disciplinary teamwork, and even the importance of

employee training. For the regular business book reader who is familiar with all that, the most inter-esting chapter is the one on corporate culture ("create the climate for success, as Pil-

ditch puts it).

Here he allows his own direct experience freer rein, especially when he gives his view of why the motivation and performance of his consultancy declined after he relinquished executive power; the company was eventually sold to a competitor.

Returning to the importance to manufacturers of the primacy of the product, he quotes Sir Christopher Hogg, the chairman of the Courtaulds chemical and textile group, as saying that "If you want to influence a whole organisation, your actions are more important than your words. If you want the company to do the right things, you'd better darned well do the right things in the cen-

For Hogg, like Morita and Egan, that includes taking a strong interest in one's company's products. In the past, when Hogg visited one of Courtaulds many plants he would just walk around the factory floor. Now he asks first to see its products. As Hogg himself puts it: "I have been shifted a consider-

able distance in the spectrum away from (an) administra-tion orientation, in which it is all too easy to forget that a company exists only by rea-son of its ability to satisfy customers and markets - and towards (a) market, customer and product orientation."
"Harper & Row (UK),
£12.95.

Christopher Lorenz

DSM, P.O. Box 6500, 9401 JH Heerien, The Netherlands

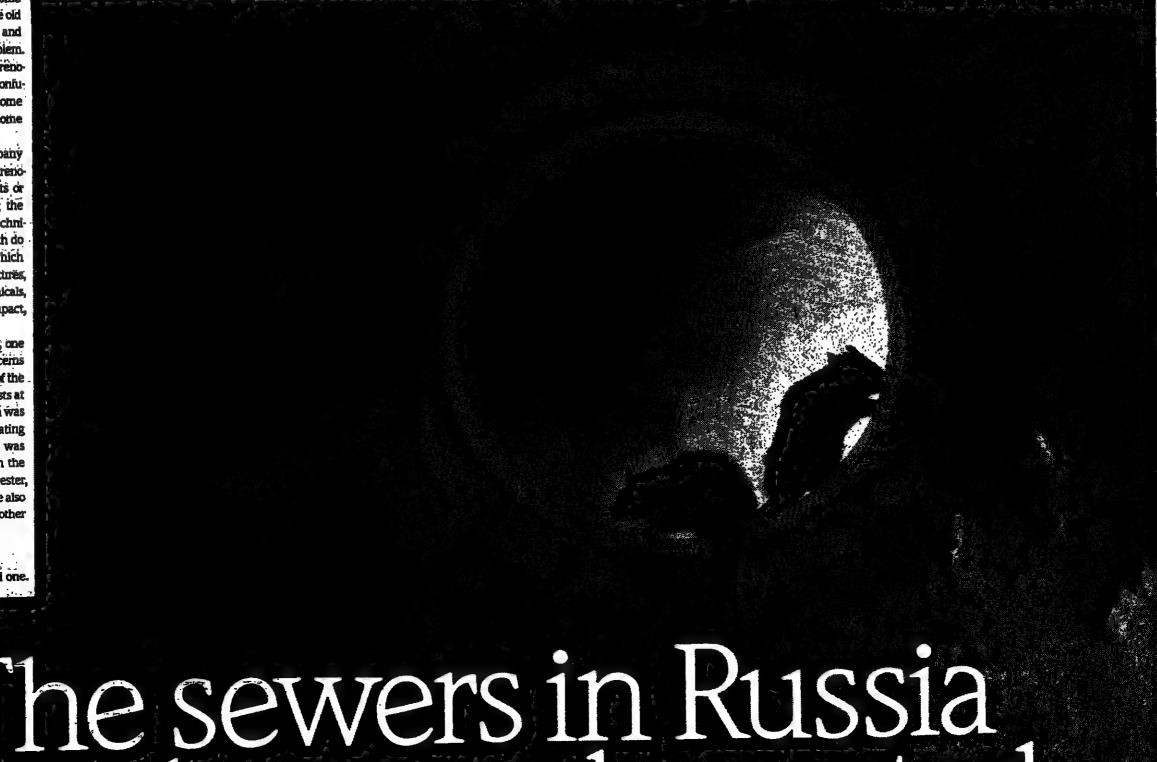
The Russian city Volgodonsk, some 90 miles south west of Volgograd (the old Stalingrad) between the Caspian and Black Sea, had something of a problem. The sewers needed to be completely renovated. But that would mean total confusion in the city centre. What's more, some of the underground areas had become completely inaccessible.

In the Dutch city of Delft; a company called Zegwaard had an idea: Sewer renovation without breaking open streets or ploughing up parks. By recovering the walls of the pipes. On the inside. Technically possible, too. But where on earth do you find a material that is pliable, which hardens at relatively low temperatures, and which is resistant to chemicals, changes of temperature, pressure, impact, and torsion?

In another Dutch city, Heerlen, one of Europe's largest chemical concerns started working on a solution. Some of the 1500 research specialists and scientists at DSM developed a special resin which was ideal for a unique method of renovating sewers and pipes. A durable layer was applied to the inside of the pipes in the form of a sheath. High quality polyester, epoxy, and polyurethane resins have also been developed for a wide range of other applications.

DSM 😥

If we don't have a solution, we find one.



The sewers in Russia have been redecorated.

Diamond insurance must be paid

-EURO-DIAM LTD v BATHURST

Court of Appeal (Lord Justice Kerr, Lord Justice Russell and Sir Denys Buckley): December 8 1987

AN UNDERSTATED invoice sent with sale or return goods to a foreign country at the to a foreign country at the recipient's request does not avoid the sender's inserted on the goods on public policy grounds if, though he realised it would probably be used to diminish foreign tax, he was not a party to any conspiracy so to use it and any potential benefit to himself was negligible.

The Court of Appeal so held when dismissing an appeal by the representative underwriter of two Lloyd's syndicates from Mr Justice Staughton's decision ([1986] 2 FTLR 639) that they were liable under an insurance claim by Euro-Diam Ltd.

LORD JUSTICE KERR said that Euro-Diam were diamond mer-chants carrying on business in London. Their managing director was a Mr Laub.

Their insurance covered dia-monds and stones. It was monds and stones. It was extended to cover confiscation other than by the government of the sender. Clause 3 of the extension provided: "(a) Warranted that the assured comply ... with the laws ... of any country within whose jurisdiction the property may be. (b) Should failure to comply with the above warranties prejudics the insurance to the extent of a loss, no

warrantes prejudice the insurance to the extent of a loss, no
liability shall attach hereunder."

A Mr Bonim, an israeli diamond dealer, was introduced to
Mr Laub in London because he
wanted diamonds for sale in
West Germany. He did not have
German residence or work per-German residence or work per-mits, but had a working relationmits, but had a working relation-ship with a German firm of deal-ers known as Verena. He dealt, with Mr Laub on the basis that any diamonds selected by him

Verena on sale or return. claim to As a result of his visit, in barred November 1981 Euro-Diam sent invoice.

correctly invoiced.

Another consignment was sent asle or return in February 1982.

It was correctly recorded by Mr

Laub in Euro-Diam's register and consisted of 39 diamonds totalling about 181 carats at \$223,416 The invoice showed the correct number of carats but, at Mr Bonim's request, it showed an understated price of only

to West Germany.

In May 1982, Verena sent
Even post-dated cheques totalng \$70,000 to Euro-Diam in purorted payment of the consigntent, but all were subsequently
lanoumed.

A few days later a package, in a number of situations the extent course others in situation apply to
apply the principle, but also to
apply the principle.

A few days later a package, containing about 95 carats from the February consignment and a prima facie succeed. The main small residue from the Novemones were:

dation and their participants left West Germany.
Euro-Diam established a loss by theft of \$142,173 under the policy. Mr Justice Staughton held that they were antitled to recover the value of the diamonds. The main ground of defence was that Euro-Diam, at

defence was that Euro-Dam, at their customer's request, had issued the understated invoice.

Mr Justice Staughton concluded that Mr Laub must have realised that the probable object was to deceive the West German customs, but he did not accept that Euro-Diam had conspired to compile any offence. He held customs, but he did not accept direct application between Euro-Diam had conspired to commit any offence. He held the insurers were obviously that Euro-Diam had committed antirely innocent throughout, an embarrassment to the insurers and because the insurers concluded that on a belance of probability a court in that country would not have ordered confiscation.

The judge concluded that the expect of the present case was analagous to Pye v BG Transance of probability a court in Hiegality.
that country would not have
ordered confiscation.
The judge

commit any offence. He held that Euro-Diam had committed an ofence under West German law, but concluded that on a bal-

stances it would be an affront to the public conscience to grant the resulting benefit to Verena was a reduction of \$11,960 in Turnover Equalisation Tax, levied at 13 per cent on imports into West Germany.

In May 1982, Verena sent seven post-dated cheques totaling \$70,000 to Euro-Diam in purported payment of the constitute of the facts of particular cases in the light of the authorities.

ones were:
(i) where the plaintiff sought, ber consignment, disappeared (i) where the plaintiff sought, from Verena's premises. Those or was forced to found his claim diamonds were then still Euro on an illegal contract or to plead its illegality in order to support the disappearance of the diamonds, Verena went into liquirelief would enable the plaintiff dation and their participants left to benefit from his criminal conduct (iii) where though neither duct; (iii) where, though neither (i) nor (ii) was applicable, the situation was residually covered by the general principle in (1)

(A) Mr Laub's issue of the understated invoice was undoubtedly be shipped to Persia would be reprehensible, but he did not involced at less than the true issue it for his own or Euro-price, in order to deceive Persian

(1) The defence ultimately rested no bearing on the loss of the ers. The ax turpi causa defence on a principle of public policy diamonds covered by Euro failed. on a principle of public policy diamonds covered by Eurothat the courts would not assist a
plaintiff who had been guilty of
illegal or immoral conduct of
which they would take notice.
It applied if in all the circumstances it would be an affront to
stances it would be an affront to
the insurers, and the correct
premium was paid.

In those circumstances there

diamonds covered by Eurofamed.

The suggestion that that case
was wrongly decided was not
accepted.

In Geisman [1978] QB 383
the plaintiff's house was burgled
and insured goods were stolen.

The defendant insurers declined

could be no question of affront to the public conscience if Euro-Diam's claim were upheld. Public policy did not require the court to hold that it must be rejected in limine on the basis of the ax turpi causa defence.

(B) The matters referred to in (2)(1) above had no application.

Euro-Diam did not have to rely on the invoice to establish their claim, since the policy provided that the basis of valuation should be "as per register", and the register contained a correct record of the value.

(C) Equally the matters referred to in (2)(ii) were not applicable. Euro-Diam derived no tangible benefit from the understated invoice. The possible goodwill advantage of having acceded to Mr Bonim's request was so shadowy as to be virtually negligible.

(D) With regard to the position between Euro-Diam and Verena, above.
(3) The ex turpi causa defence it was difficult to see how Verena, it was difficult to see how Verena, it was difficult to see how Verena it was difficult to see how difficult to see h

would be treated as consigned to issue was whether Euro-Diam's was right for the following rea-Verena on sale or return. claim under the policy was sons: where plaintiff sellers had a result of his visit, in barred because of the false (A) Mr Laub's issue of the under
agreed with buyers that goods to agreed with buyers that goods to customs authorities. The goods were stolen in the UK while in

to pay for jewellery imported illegally. Their reliance on exturpi causa was upheld.

The case was correctly decided. The plaintiff's position

there was very different from that of Euro-Diam who did not smuggle the diamonds into West of the understated invoice.

of the understated invoice.

The ex tuspi causa defence failed. The insurers submitted that the policy was subject to a warranty implied by law to the same effect as action 41 of the Marine Insurance Act — viz that the adventure insured was lawful manner.

Similarly, who becomes general manager (marketing); and Mr Frank Webster, who is protoned from deputy to chief ful and must be carried out in a lawful manner.

ful and must be carried out in a lawful manner.

The judge rightly rejected the submission. This was not a marine policy and did not insure any adventure. No implication of warranty by statute could arise. Nor was there any basis for the implication of such a warranty of common least.

at Common Law.

The appeal was dismissed,
Lord Justice Russell and Sir Denys Buckley agreed.

For Euro-Diam: Jeffrey Gruder ims (Clyde & Co).

By Rachel Davies

THESE REPORTS are published in volume form with the full text of the judgments. For subscription details contact Kluwer Law Publishing Africa House, 68 Kingsway, London WC2B 6BD. Telephone 01-831-0391.

Board changes at Refuge

REFUGE GROUP and Refuge Assurance have made a number of board thanger and appointments from January 1. Mr Tom Booth takes over as chairman of Refuge Group following the retirement of Mr Paddy Smith. He relinquishes his post as chair-man of Refuge Assurance. Mr Gerald Eamsden becomes dep-Gerald Kamsden becomes dep-uty chairman of Refuge Group, and chairman of Refuge Assur-ance, relinquishing his post as managing director of Refuge Assurance. Mr John Cadworth becomes deputy chief executive of Refuge Group. He moves to head office in Manchester from the commency's London office. the company's London office where he was investment secre-tary. The new managing director of Refuge Assurance is Mr. Nornear Peterson, who has been actuary and general manager (administration). Four new directors join the board of Ref-

TRAMES TELEVISION has appointed Mr Ewart has a director of production, succeeding Mr Fred Athreson who retires in March. Mr John White Jones will continue to be production director at Tedding-ton and will deputise for Mr Needham. Mr Dave Cottrell will be promoted to production director, Euston, responsible for chnical operations and the film

Mr Jim Donaldson, develop-ment director of P-E Interna-tional, has been elected chair-man of the MANAGEMENT CONSULTANICES ASSOCIA-TION for 1988. Mr David Mor-via of Peat Maradek Well-interris of Peat Marwick McLintock



Mr Ion Swan, managing direc-tor, GRE Personal Financial

appointed managing director of GRE PERSONAL FINANCIAL MANAGEMENT - Guardian Royal Exchange's direct sales noyar exchange's direct sales arm. He was marketing director. Mr Martyn Baker has been named the first managing director of GRE PROPERTIES, set up to manage GRE's property portable.

Mr Michael M. Walter, deputy managing director, Aquascutum Group, has been appointed man-aging director of AQUASCUTUM LTD. He will continue to be responsible for sales and market-

THE HAISTE GROUP has appointed Mr Brian Evans as eastern regional director, Peterbay who is transferring to Leeds as northern regional director. Mr Evans was director of Haiste Mechanical and Electrical.

MARINEX PETROLEUM has marines Petroleum has appointed Mr Michael Seymour as managing director for the new merged group of oil exploration companies which involves Teredo Oils. Mr John Cornish continues as chairman, and there are four new directors: Mr Crispian Hotson, Mr Jim Palmer,

Mr Angus Mackenzie and Mr Fred Wellhauser. Mr Jules Poscente, the president of Can-ada Northwest Energy - the lar-gest shareholder in the Marinex group (27.25 percent) - remains on the Marinex board as a director, as does Mr Dan Williams, one of the founders of Marinex Petroleum. Me Charmian Johnson becomes an executive director and company secretary. Mr Dennis Paterson is exploration manager.

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Mr Alan Gaynor has been appointed managing director of UNDERWOODS (CASH CHEM-ISTS), retail subsidiary of Underwoods. He joins from Do-lt-All, W.H. Smith's DIY chain, where he was operations director.

MORGAN GRENFELL UNIT MURGAN GRENTELL UNIT-TRUST MANAGERS, a new com-pany formed to take the Morgan Grenfell Group into the unit trust market, has made the following appointments. Mr Tony lowing appointments. Mr Tony
Fraher has become managing
director. He was head of investment, Britain, for Allied Irish
Bank, and managing director of
Grofund. Mr Simon Ballard has
been appointed marketing director of
ton. He was marketing director of
Constant believer. Trust Manage. Oppenheimer Trust Manage-ment Mr Paul Hyde, formerly ment. Mr Paul Mysenheimer sales director of Oppenheimer Trust Management, has been appointed sales director. Mr James Fox will be chairman. Mr Martin R. Wade joins MORGAN GRENFELL INCORPO-RATED as managing director on January 1 to direct North American corporate finance and merg-ers and acquisitions advisory activities. The company is the New York-based North American New York-based North American investment banking subsidiary of the Morgan Grenfell Group. Mr Wade comes from Shearson Lehman Brothers where he was a senior vice president responsi-ble for divestiture activities for

Mr Hugh Bryden has been appointed resident director in Saudi Arabia of COLT INTERNA-

A FINANCIAL TIMES SURVEY U.K INDUSTRIAL PROSPECTS

MONDAY JANUARY 4TH, 1988

The Financial Times proposes to publish a Survey on the above. The aim of this Survey is to assess the prospects for a number of key industries in the coming year. The main emphasis will be on the U.K. but the international context will be fully explored. Important trends affecting each business sector will be analysed and described. The Survey will review:

International and Domestic Economics, Industrial Investment. Corporate Structure, High Fliers, Companies to Watch and Industrial Sectors.

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> > FINANCIAL TIMES **EUROPE'S BUSINESS NEWSPAPER**

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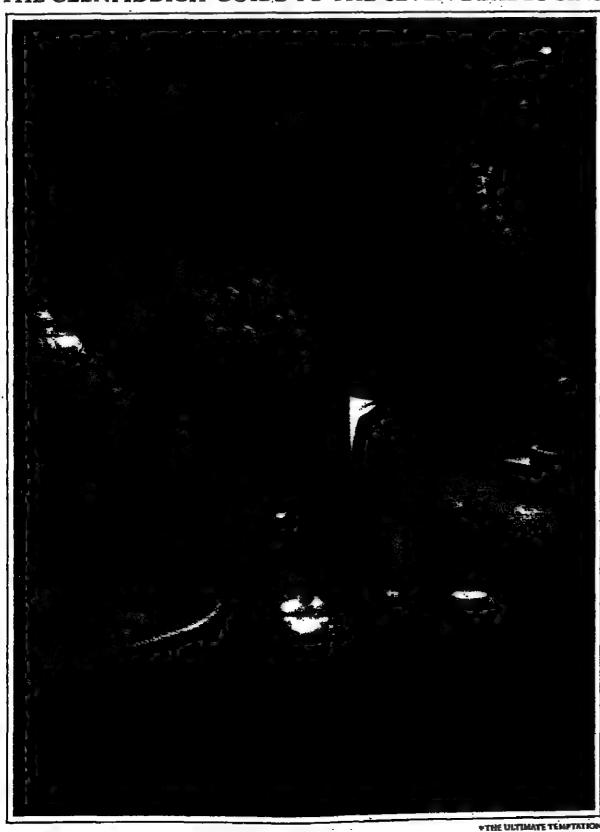
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THE GLENFIDDICH*GUIDE TO THE SEVEN DEADLY SINS.



New wave ovens put idiot cooks in picture

Jane Rippetean examines innovations in the UK microwave market and how this is forcing a rethink in food products

PLANNING to buy a microwave oven for Christmas? Stop!

If you buy too soon, you will miss New Year's coming attraction: the Japanese company Brother Microwave is planning to introduce for UK communers what must be the most idiot-proof oven

In an advance on similar electronically-equipped devices from Toshiba, Sharp, Hitachi, Philips and others, the machine will have a keypad on the front with six pictures: a cake, a roast of beef, a chicken and so on. Say you have a chicken. You just pop it in the oven, press the keypad with the chicken pic-ture and touch the start button.

The oven does the rest. Decked out with a bank of microprocessor-based sensors, it measures the volume of food its temperature, and how long it will take to cook at the recessary heat. Out comes a browned roast, done to medium. It will be the most advanced oven on the market, claims Mel Tom-linson, northern area sales manager for Brother. The oven, says John Reardon, buying manager in the electrical depart-ment of Selfridges the Oxford Street store, will think for itself. It's a leap

Of course, at £459 you might not be tempted by such a feature-rich device. Microwave ovens can now be purchased for around a quarter of that price. South Korean manufacturers have swept into the low end of the market, under-pricing Japanese makers and sup-plying such UK High Street mass-mar-

ket outlets as Boots and Dixons. Until recently, Boots carried a basic microwave oven made by Samsung for 589.99, according to Maureen Middlegniss, housewares supervisor at Boots in Regent Street. She will soon join other branches in carrying Boots' own brand

Such choice, from bare bones versions to pricey high-end entries with combi-nation microwave and convection overs replete with electronic controls, has

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Company of the second

helped propel this market from barely 100,000 in domestic unit sales eight years ago to about 1.8m annually today, according to Jane Facey, senior consul-

tant for the Microwave Association. The rate of growth flattened this year for the first time in the UK domestic market. Even so, the business is now worth about \$400m a year, and by the end of 1987 one-third of UK households will have a microwave oven, says

Facey.
The situation has not been lost on food manufacturers. "The food companies initially thought this was going to be another flash in the pan," says Facey. Now, she adds, "they are helping to simulate the market." to stimulate the market.

Tardy participants in the new cooking technology, food suppliers were initially content just to label their products with microwave cooking instructions. Unilev-

split second fank in timing will ruin the product. "You get defrosted ice cream,"

he says.

That product is unusual. Until now, manufacturers have taken the lead by manufacturers have taken the lead by adapting their machines to get around the effects of microwave cooking, rather than waiting for food suppliers to adapt their products. For instance, the initial disenchantment of grey roasts was overcome by adding a grill or conventional convection oven to the microwave in a combination unit offering the advantage of both cooking methods.

Today, combination overs are captur-ing sales from plain microwaves; they allow a user to brown means by conventional convection while also gaining the convenience and speed of the micro-

Also, strides are being made in developing cookware for microwaves that

The challenge facing food suppliers is like that detergent makers faced once automatic washing machines arrived

er's Birds Eye division, for instance, began such labelling in 1978, according to marketing manager David Elmer, Now, food suppliers are waking up to the need for products especially developed for the ovens. Because microwaves cook essentially by boiling or streaming food, their effect on the food product is

totally different from that of a conven-

tional oven. tional oven.

Raoul Pinnell, general marketing manager at Findus Frozen Foods, which this autumn unveiled a specially-developed frozen pizza for microwave cooking, points to an interesting American product a hot fudge sundae. The sundae takes advantage of the microwave's tendance to heat the shoulete fudge surer. dency to heat the chocolate fudge sauce before it melts the ice cream, he says, adding that the only trouble is that a

counteracis what users see as their neg-ative cooking effects. Microwaves, for instance, do not do well with such pastry products as pies, pizzas, or even french-fried potatoes. That is because under microwave "boiling" the crusts or

fries get soggy, not crisp.

To the rescue has come a new patented material developed in the US. The British company John Waddington has secured UK and European rights for marketing the material, called receptor or susceptor. Usually in the form of a tray, the material heats to a much higher temperature and cooks whatever is on it at a much higher temperature than the boiling-point ambient heat of normal microwave cooking. So, a pastry or pie crust on a receptor tray will develop a crisp crust, while the rest of

the food in the oven cooks at the micro-

wave's boiling temperature.

McCain Foods of Scarborough recently put the material to another use. Its new "Microchips" French-fried potato prod-uct is packed in a small box lined with the receptor material. The fries them-selves were developed in a proprietary process to work properly with this cook-ing method, according to the company. You can't just put ordinary food into a receptor box and get satisfactory results," says McCain.

McCain, Birds Eye, Findus Frozen Foods and others are now coming out with frozen pizzas using the receptor trays; the pie rests on a tray so the crust will crisp. Still, to Pinnell of Findus, these products are compromises rather than new-technology food items. To Pinnell, the crisping pan, while successful, is a way of getting around the microwave's cooking method rather than using it to advantage.

"it's very important to recognise that this new thing in people's kitchens does perform in a different way," he says. "We have to respond to that with prod-ucts that are different." Manufacturers in the frozen food sector are particularly at risk, he notes, because a high percentage of people who eat frozen foods also use microwave ovens. We need products that use the way microwave cooks, rather than trying to

get around it," he says. "It's not easy." He likens the technical challenge for ing food suppliers to the one that faced clothes detergent manufacturers after automatic washing machines came out. At the time, it was quickly discovered that conventional washing detergents could not be used in automatic machines. Completely new detergents, producing fewer suds but equipped with powerful cleaning agents, had to be

developed.
"We face a similar challenge," says

Belgian brilliance lights the darkness

HORIZON of Schoten, a new Belgian company, is introdu-cing its Lumilight plastic sheeting into the UK via KWR Chemicals of Waltham Cross, Hertfordshire.

The material, based on zinc sulphide, is able to store incident light and release it, with gradually decreasing brilliance, over periods of three hours or more.

Thus, in safety applications, doorways or signs incorporating Lumilight will give a greenish-yellow glow in the darkness following a lighting system failure. Horizon also foresees

marine safety applications (the material is not affected by water) and use on sir-craft. Young persons' cloth-ing and toys are also a target market (the material is not radioactive or toxic). Although the properties of zinc sulphide are well known, the achievement of Horizon lies in encapsulating the fragile crystalline substance in polypropylene. This protection, together with special production pro-cesses and additives, are said to give Lumilight its high efficiency and emission time, while preventing deg-radation of the zinc sulphide in either electric light or

daylight.
The material costs about £60 per square metre in the UK.

Australian visions of digital clarity

NEXT YEAR, television programmes about life at sub-zero temperatures will be sent digitally from Davis Base in Antarctics to an earth station at Ceduna in Southern Australia

Digital transmission was necessary because the chan-nels available on the Vista Intelsat satellite are not technically suitable for the normal broadcast TV anal-ogue bandwidth. But in addition, transmis-

sion will be relatively cheap, as the compressed digital transmission used will reduce the bandwidth and therefore the cost. GEC Video Systems in the

UK is supplying the codeca (digital coding and decoding) equipment at both ends of the transmission service. Codecs turn a TV picture into a digit stream from which "redundant" information digits are removed, reducing the transmission

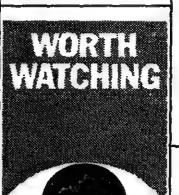
bit rate. For example, when one TV frame differs only a little from the previous one, only the changed data is

The systems are mainly aimed at industry and com-merce for videoconferencmerce for videoconterenc-ing, in which a number of executives, a few miles or thousands of miles apart, can conduct a conference

without travelling to one location or the other.

Some loss of picture quality, particularly during motion within the picture, can be evident at lower digi-

tal transmission rates. When the necessary digital channels become generally available over the ISDNs (integrated services digital networks) that the world's telephone companies are planning, such conferences could become commonplace. At the moment, however, special links are usually needed.



Edited by Geoffrey Charlish

Rotting remedy for plastic waste

A BIO-DEGRADABLE polymer called poly-3-hydroxy-buterate (PHB), produced from components that are not derived from petroleum, is available in small research quantities from Goodfellow Metals of Cambridge, UK. Bio-degradable plastics, unlike the normal variety, decompose with time in the environment. Likely applications are in packaging and in medicine.

The PHB product is synthesised by many strains of bacteria when they are exposed to unfavourable growth conditions.

MARĶETPIJLSE It's the best news the &

French keep things cool in the tropics

LOW-COST refrigeration for the poorer, tropical parts of the world where there is no electrical power and maintenance can be difficult, has been developed by French company Brissonneau et Lotz Marine (BLM).

There are no moving parts, minimising maintenance. The system is based on 25 litres of methanol and activated carbon micro-granules in a panel exposed to the

The black particles are very efficient at absorbing heat which vapourises the methnol and sends it through a refrigeration cycle based on the cooling effect of evaporation.

The cool of the night liquifies any vapour left in the panel and the reduced pressure draws the system's methanol back, to be re-absorbed by the carbon.

Personal power readily at hand

A HAND-HELD computer terminal weighing only 650gms, and claimed to have the power of a personal computer, is offered by Victor Micronic (UK) of Tring,

Hertfordshire.
With one megabyte (1m characters) of memory, the new M1000 is aimed at the retail, stock control, health, utilities and maintenance markets. It can record large volumes of data, using either the keyboard or a bar code reader that can be plugged in

The M1000 communicates with its mainframe com-puter base over a phone line, via an infra-red connector, and costs about £1,250. Victor Micronic (UK), part

of the Swedish company Datronic, claims 36 per cent of the UK hand-held market and a user base including Cadbury-Schweppes, Uni-chem and British Gas.

CONTACTS: KWR Chemicais: UK, 0993 768686, GEC Video Systems: UK, 0734 984490, Goodiallow Metals: UK, 0223 88671, BLM: France, 40 301050, Victor Micronic: UK, 044283 6834.

Company Notices

BOND TRUST OF THE WORLD

(Mutual Fund organized sinder the laws of the Grand-Duchy of Laxembourn)

NOTICE OF DIVIDEND ON TYPE "A" SHARES

Pursuant to article 17 of the management regulations of the Fund, the board of directors of Would Board Trust Management Company, on December 10, 1967, decided to distribute, for the finest year ended on September 30, 1967, a dividend to be paid out of the set distributable income (which compaiges the set investment income of the Pand and the set investment income processed on the net issues and repurchases of Fund shares during the accounting year of the Final) and of the net realized capital gains of the Fund.

This dividend was fixed at U.S.\$ 1,50 per above and will be paid, on and after December 21, 1987 to holders of type "A"shares of the Fund issued and ourstanding as of mon (Luxumbourg time) on December 16, 1987 which constitutes ex-dividend and record date.

This dividend will be paid:

1. to holders of type "A" theres in registered form and to holders of confirmations of type "A" sharet not physically created, through the principal paying agent by transfer or cheque pursuant to the instructions given to him by holders of such certificates or confirmations, and 2. to holders of type "A" shares to bearer, against coupon a" 6.

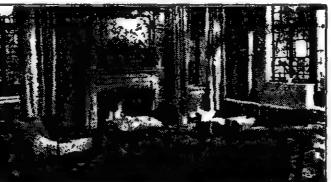
The following banks at the offices indicated will act as paying agests for the type "A" shares of Book Trust of the Work!: - in the Grand-Duchy of Lexembourg:

Société Générale Alsacienne de Banque 15, avenue Emile Reuter, Luxembourg

- in France: Société Générale 29, Boulevard Haussmann, F - 75009 Paris

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CERTIFICATE OF REGISTRATION OF ORDER OF COURT AND MALTE REDUCTION OF SHARE

NOTICE is hereby given that the Creditors of the above-nistied Company, which is being voluntarily wound up, are required, on at before the third day of February 1988 to send in their full Christier and Burnannes, their addresses and descriptions, tall perticulars of their delities or chiletis, and the names and activeness of their Soficians of any to the underlighted SURLITT ISUMAR SENCELA, FCA of Single & Company, Courtered Accountants, of New Broad Street, House, 35 New Broad Street, London EC2M 1NH, the Liquidator of the said Company, and, if so required by notion in writing from the east Liquidator, are, personally or by their Soficians, to come in am proverses when he specified in such notice, or in destail thereof they will be excluded from the benefit, of any distribution made before such disbits are proved.

day of December 1967 DATED this said S K SINGLA FCA



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ADVERTISEMENT OF APPOINTMENT OF ADMINISTRATIVE RECEIVER i ADRIAN RICHARD STANNINY of Cork, Guly, Socials Life House, 14 New Road, Southernion, Hamperine, SOS 123 was appointed administrative receiver of SOF11.Y, SOF11.Y (DISTRIBUTION) LIM-TED (registered resuber 2070/552) by Nazional Westminster Bank pie on 8 December 1867. CAPITAL

Whereits FRAM EUROPE LIMITED having by Special Resolution reduced its capital as confirmed by an Order of the High Court of Justice, Chancary Division detect the 16TH NOVEMBER 1987.

Now therefore I hereby certify that the said Order and a Manua approved by the Court were registered pursuent to section 158 of the Companies Act 1985 on the 19TH NOVEMBER 1987.

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CIVIL AVIATION IN THE PACIFIC BASIN:

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Singapore, 25 & 26 January, 1988

The Pacific Basin, civil avlation's fastest growing air transport arena, is the subject of the Financial Times fifth Asian Aerospace conference on 25 & 26 January, 1988. The rapid growth in the region is already Imposing, and will continue to impose, strains upon the airlines, airports and the aviation infrastructure overall. It will generate a massive demand for new aircraft and the money with which to buy them for many years to come. The aim of this '88 conference is to define these problems and indicate possible developments and solutions.

A most distinguished panel of speakers from the airlines, the international banking and financial community and the major aerospace manufacturers will lead the debate.

The Conference has been timed to precede the Asian Aerospace '88 Exhibition to be held at Singapore Changi Airport, 27-31 January, 1988.

CIVIL AVIATION IN THE PACIFIC BASIN

To: Financial Times Conference Organisation 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ Tel: 01-925 2323 Tb:: 27347 FTCONF G. Fax: 01-925 2125 Present yand me further datalis.

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Japanese | What today's young hopefuls want from work

BY MICHAEL DIXON

good pay. Third, just behind, was intellectual challenge.

The young people taking part in the survey named those three blessings far more often than they mentioned any other wishes. The also-rans included, ranking fourth to seventh respectively, the opportunity to do something one is good at promotion prospects, travel, and opportunity to make a worth while contribution to society.

The list shows how attitudes have changed since the previous who "might like" to enter the public services was precisely matched by the share who firmly would not at 47 per cent apiece, with the remaining 14 equivocal.

But two in every three said that, if they had a choice between the public and the private sector, they would opt for a business job compared with only one in five who were inclined the other way. Moreover nearly three quarters thought they would like eventually to set

have changed since the previous they would like eventually to set time I saw a survey of the career up their own business, in most hopes of British university cases after gaining experience in students. There is no doubt what would have been ranked top by Whereabouts in the private

beneficially to society. But that was 18 years ago.

In those days profit-making in practice only 44 per cent was in such bad odour with the process of the society in principle, in practice only 44 per cent advocated by the philosopher Sir studious youth that fewer than half of the 907 undergraduates by an industrial concern. The said they would even consider bulk of them felt attracted joining a business company.

Their most prized aspiration was to go on to a research degree with a view to staying at university until they were dead, if not longer. Those with little than enough to compensate for chance of entering an academic what many of the students saw career were largely aiming to

First on their list, by a long at Christ Church, Oxford OXI way, was enjoyment. Next came 1DP - shows that the proportion good pay. Third, just behind, was who "might like" to enter the intellectual challenge.

students. There is no doubt what would have been ranked top by the 907 undergraduates, all at Cambridge, covered by the earlier study. It would have been an opportunity to contribute beneficially to society. But that was 18 years ago.

In those days profit-making in practice only 44 per cent was in such bad odour with studious youth that fewer than half of the 907 undergraduates said they would even consider bulk of them felt attracted joining a business company, against their better nature to Their most mized aspiration was flancial work.

Industrial jobs, on the other hand, were thought to offer the advantage of challenging work. But it was viewed as outweighed by shortcomings such as meagre starus and, still more decisive, low salary.

So it would seem that, by mumparison with the Cambridge undergraduate generation of about two decades before, today's Oxbridge students are long on materialism and short on ideals. That however, is perhaps not altogether without its

mercies.

Although I was one of the numerous people who admired the 1969 generation's concern to do good for their fellow beings, I had certain misgivings about the way some of them proposed to go about doing it. For instance, high on their priority list was the revolutionary elimination of, among a good many others, the lackeys who work for the capitalist press.

one's working life. Nevertheless, while today's Oxbridge students may be less idealistic than their predecessors of the late 1960s, it is doubtful that their prime career aims are fully realistic. For one thing, although work can be enjoyable, my experience is that enjoyment is for the most part only a by-product of the job. It is usually felt after the day's tasks are done. The best you can hope to gain consistently when you are actually doing them is surely estifaction.

satisfaction.
What's more, in emphasising their desire to be confronted-by intellectual challenge, the students may be overlooking the fact that many if not most of the important challenges at work are of a different kind. They are

challenge would be to work out Tony Nevile wants a finance how so many of them came to be director for a high-technology Motor up on the roof in the first place communications group which 1965.

WHAT are the things you most to get out of working life?
When that question was put recently to 339 students at Oxford and Cambridge, they were largely agreed on the answers.

What are the things you most join an unarmed public service that kind of work. One was too great an occurr.

The second was too great an emphasis on achievement and profit.

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It is easily forgotten in – the pursuit of enjoyment, good pay, overcome challenges of that sort of accountants with success in the accountants with success in the pursuit of enjoyment, good pay, overcome challenges of that sort of a society which is wholly to explain. But the important to explain and the explain and to explain and the expl I cannot see how that approach to striving to improve society is excluded by - even if it is easily forgotten in - the pursuit of enjoyment, good pay, and intellectual challenge in one's working life.

to explain. But the important years. The work entails mergers as well as financial management as well as financial management as well as financial management across the three subsidiaries. Base is west of London:

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NOW to two geographically scattered jobs being offered by staff of the Anthony Nevile International consultancy. Since they may not name their clients, they promise to abide by any applicant's request not to be identified to the amplayer at this identified to the employer at this stage So does the other recruiter to be mentioned later.

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e lackeys who work for the capitalist press.

In the matter of doing good, my preferred approach is the one advocated by the philosopher Sir Karl Popper in chapter 18 of his Conjectures and Refutations (Routledge and Kegan Paul, 1972).

"Choose what you consider the most urgent evil of the society in which you live, and try patiently to convince people that we can get rid of it. But do not try to realize these aims by designing and working for a distant ideal of the society in the lackeys who work for the capitalist challenge at work are of a different kind. They are particularly so in the case of line management in the light engineering or electronics field, in attitude and good at planning. Pay around \$25,000, with car among other benefits. Inquiries to Graham Walker at the find 50 men sitting on a roof \$6 Midton Road, Ayr. Scotland KA7 2TW; telephone 0292 \$287969, telex \$58902 Baron G.

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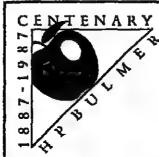
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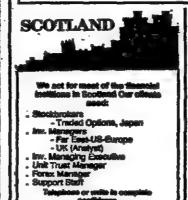
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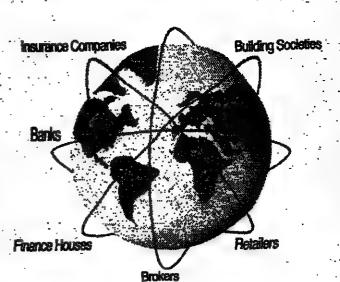
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International Appointments

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- Publications in a relevant field would be appreciated.

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The salary will be to a maximum of Dfls. 9.621, - per month. (by full time Further information can be obtained from: the chairman of the selection

committee Prof. Dr. A.R.T. Williams (work: Netherlands 010-4081359, home: UK 01-878-0668) or Ir. H. Nie (work: Netherlands 076-291891, home: Netherlands 078-131263).

Those who wish to apply are invited to send their application together with a curriculum vitae, a list of relevant publications and the names of referees, within three weeks to Prof. Dr. A.P.J. Abrahamse, Dean of the Faculty of Economics, Erasmus University, Postbus 1738, 3000 DR Rotterdam,

Those who wish to suggest possible candidates are also invited to contact the Dean at the above address.

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Television/Christopher Dunkley

Government hackles raised again

For the BBC, IBS7 began with a bang and looked as though it might end with a whimper. The bang was the noise of Special Branch going into Broadcasting House, Glasgow, to remove the Secret Society series. The whimper, at the end of November, was the carefully muffled sound of the Government admitting that

the carefully muffled sound of the Government admitting that, all but one of the programmes having been returned earlier, the last, devoted to the Zircon spy satellite, had now been restored to the BBC and — despite all the sound and fury in the spring — nobody was to be prosecuted. Oposition MPs accused the Government of sneaky and disreputable tactics for making this admission as stealthily as possible: in a written reply, on a Friday afternoon when most MPs were on their way to their constituencies. But the year did not end there. Within the week even the faint echoes of that whimper had been drowned by another had been drowned by another bung. This time it was the roise of the Government beating on the door of the judiciary to demand a gagging writ to pre-vent BBC Radio broadcasting a series called My Country Right Or Wrong. In both instances the subject

in both instances the subject was national security. In the current case (on which some sort of decision is expected today) the Government appears to have been particularly worried because of possible connections with the "Spycatcher" business, over which they have made themselves in many people's themselves, in many people's eyes, look increasingly ridiculous. As the FT's legal commentator, Justinian, pointed out last

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week:
"The secret service officers'
duty of confidentiality extends only to total silence about the information they acquired dur-ing their service. It does not cover a discussion about the con-

cover a discussion about the constitutional role of a secret service in a democratic society. And that, so far as one can tell at this stage, is precisely the form that the radio series takes.

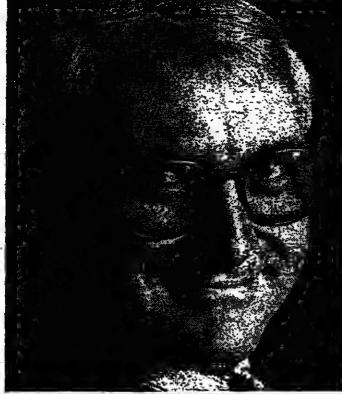
However, it is not the content of the programmes which concerns me here, but the implications of these cases so far as broadcasting is concerned. There is, first of all, the matter of the BBC and the way it is seen by its BBC and the way it is seen by its own staff and by the public. The appointment within the last is months of Duke Hussey as chairman of the BBC, Michael Checkland as Director-General, and John Birt as his deputy in charge of news and current affairs, has been widely interpreted as a series of moves which, if not engineered by the Government,

engineered by the Government, has the Government's approval.

These were the man, it was said, who would sort out the away approach can hardly go on linking their resentment to the accurate to the reds from under the Government stooge now that his beds, put the cry-baby liberals in Government stooge now that his beds, put the cry-baby liberals in Government stooge now that his own initiative has run into such for example, endured five years transported this picture because that well have the effect of reintroduser of a labourer, Wilkes defied Parisbut his sources, engineered by the Government, has the Government's approval.

These were the men, it was said, who would sort out the awkward squad at the BBC, drag out the reds from under the beds, put the cry-baby liberals in their places, and re-impose the firm smack of authority.

The Zircon affair did not discort this picture because that



John Birt: champion of free speech?

men to hold the baby. But the looking anything but unified, it new row over My Country: Right has, already, injected consider-Or Wrong is entirely different, able esprit de corps into the Not only was this series proradio staff who seldom feel duced under the new regime, it themselves to represent the cut-was initiated by John Birt him-ting edge of the mass media in self and everything known this age of television. Or wrong is entirely different. Not only was this series produced under the new regime, it was initiated by John Birt himself, and everything known about it suggests the personal imprimator of the man who cowrote "The Bias Against Understanding" in the nineteen seventies: long on abstract analysis, short on entertaining anerdotes. short on entertaining anecdotes, deeply resposible and deadly serious.

Prior to the Government's Prior to the Government's application for a gagging writ on those programmes the new Birt broom had been causing considerable hostility in such BBC offices as Lime Grove, Television Centre, and Pebble Mill where there had formerly been a multi-disciplinary approach to journalism and no rules against flying by the seat of your pants, provided the results were good. Now Birt insists that all programmes be scrupulously grammes be scrupulously schemed out and a precis sent to him or his deputy before a single interview is recorded. Debate over that will no doubt continue

The Royal Opera takes a bullish view

tury.
Whereas newspapers began as hole-in-the-corner affairs, often little more than pamphlets and

coal merchant himself. Many of them launched into newspapers as a way of opposing govern-ment majpractices, and the fight for the freedom of the Press— against stamp tax, Indicrous libel laws, erclusion from Perliament

against stamp tax, indicrous libel laws, exclusion from Parliament — was won slowly and at the cost of dreadful hardship.

The freedom of television (and, incidentally, radio) has never been fought for and never won. Commercial television can operate only under licence, and the licences are issued by the IBA. The members of the IBA are sovernment appointers. The government appointers.

whereas newspapers began as hole in the corner affairs, often little more than pamphlets and scandal sheets whose owners, to be honest, frequently fought for freedom of expression as much for profit as principla broadcasting has been, from the beginning a vast, unwieldy and respectable undertaking usually organised by grandees who identified with the Establishment; white general manager of the BBC, said they are lucky and the BBC. If we are lucky and the BBC in this age of television.

If we are lucky and the BBC in this age of television.

If we are lucky and the BBC in this age of television.

If we are lucky and the BBC in this age of television.

If we are lucky and the BBC in this greatly needed in this possible of the mass media in the beginning of a campaign by the beginning of a campaign "significant" voice was "any voice which has persuaded or is likely to persuade, others in numbers large enough to have personal, social, or political effect." This would mean, he said, not only programmes for black people but programmes for committed racists.

I have a feeling that Birt really does believe in free speech, and that one day this may prove highly embarrassing to those who are convinced he is merely "one of us."

Ian McKellen Acting Shakespeare/Playhouse

Michael Coveney

IBA. The members of the IBA are government appoints. The government also appoints the governors of the BBC and controls the BBC licence fee. When Mrs Thatcher was asked hat month about her attitude towards the proposal which MPs are expected to debate again in the new year—the televising of proceedings in the House of Commons—she said "I do not think that televising this House would enhance its reputation." precisely the argument used to exclude newspapers throughout the 18th century.

Lighthouse, due to open next May.

He takes to a bare stage, furnished with a single chair and, mercifully, no lectern or glass of water, in a shiny, baggy-smart designer suit. He hunches into "All the world's a stage," but all resemblance to Glelgud's Ages of Max solo turn is knocked on the head in a casual shrug of why he's never been in As You. "Never really functed it." When faced with Hamlet, he saked the Cambridge don, George Rylands, what he should do with that solilony. "Cut it" was the crisp response.

response.
This is not a recital, but an This is not a recital, but an animated one-way conversation in which the actor struggles to understand Shakespeare's genius by performing his work and throwing around maggets of love and practice, the odd biographical detail. The work itself is at the core, as when he sits on the edge of the stage, as though he were Damy Kaye at the Palladium, and takes us through the images of time and pulsating rhythms of Macbeth's "Tomorrow speech.

He then wraps that up in a riveting distillation of the entire play, rekindling memories of his

play, rekindling memories of his RSC intimuse triumph with Judi Dench, but carving afresh a mov-ing statue of jumping, retching,

Well, it's better than Gérifriends. In McKellen takes proper possession of this lovely theatre on the Embankment, following that musical failure with a few secrets of his success in acting Shakespeare.

McKellen has peddled this one man show for a decade in Europe and America. He hreaks a self-imposed rule not to perform it on home ground in order to raise funds for an excellent cause, the first hospice and support centre in Britain for people affected by AIDS. The entire proceeds of this four-week season will be donated to the London Lighthouse, due to open next. May.

He takes to a have stage, furnished with a single chair and, mercifully, no lectern or glass of water, in a shirty, haggy-smart designer suit. He kunches into "All the world's a stage," but all resemblance to Gielgui's Ages of Max solo turn is knocked on the world's a stage," but all resemblance to Gielgui's Ages of Max solo turn is knocked on the more appears as a chool turn is knocked on the more of the code with bands as white and some of the code with beards as white bands as white tapped in a crepuscular spect in a cropuscular spect upon-Avon. And some of the twentieth sonet rapped in a crepuscular spect in posses of the flowe of the flowes of the flowes own with beards as white as white beards as white bands as white a flage turnit of Romso and a provided to the master christness's, as long as friffith Jones's. They include to the messer with the playing to an irrelegate Christmas's, as long as friffith Jones's. They include the one about a tipsy Richard III they sould be a fraction of each cutting free, bounding from halt cutting free, bounding from



Ian McKellen

Scottish National Orchestra/Barbican Hall

Max Loppert

The fickieness and timidity of firmly straitjacketed.

The fickieness and timidity of London concert audiences are a special trial for visiting orchestras from the regions, who — with the athining exception of Simon Rattle's City of Birmingham Symphony — daren't had elected to play the Chalkovhring to the metropolis the more adventurous fare they are able to offer at home, and who them quite often fail to draw the crowds with their safe, popular offerings. Monday's Barbican concert by the Scottish National Orchestra under its principal guest conductor, Matthias Bamest, was a case in point mainstream works, half-full hall, and a feeling that much of the evening would have been livelier if the programme had been less in the "Pathetique" one

heard little sign, beyond well-drilled ensemble, of a distinctive, much more consistently. characterful response to the music - the performance began, went on, and came to an end

outstanding successes with the forchestra in its annual Musics. Nova contemporary music series, had elected to play the Chalkovsky shalf, and Beethoven's C major Plano Concerto and La Valse in the second (in advance it seemed an odd ordering, but it worked well enough). He certainly gets trim, disciplined playing from the SNO; all evening but especially in the second half, the clean timbres and true balance of parts were impressive tokens of Mr Bamert's authority and control.

But in the Pathetique one

Royal Philharmonic/Festival Hall

Andrew Clements

The Royal Opera House, Covern't director Bernard Haitink is a niew appointment, and report on 1986-87 published yes succeeds Sir John Tooley as gentereday. Its new chairman, Sir John Sainsbury, expressed the view that there is a great period.

Another important appointment appointment to be announced soon is alread for the Opera House.

The much discussed deficit on the current year has been cut from \$1.2m to \$700,000, mainly prices, and the 15 per cent rise in seat prices, and the 15 per cent rise in the productions. The make the sake of marketing director. Mr prices, and the 15 per cent rise in the productions of marketing director. Mr prices, and the 15 per cent rise in the productions of marketing director. Mr prices, and the 15 per cent rise in the productions of marketing director. Mr prices, and the 15 per cent rise in the productions of marketing director. Mr prices, and the 15 per cent rise in the productions of marketing director. Mr prices, and the 15 per cent rise in the productions of marketing director. Mr prices, and the 15 per cent rise in the productions of marketing director. Mr prices, and the 15 per cent rise in the productions of marketing director. Mr prices, and the 15 per cent rise in the Report thouse in the average attendance at opera performances in 1986-87 was 39 per cent, the same as in the previous per cent to \$7 per cent.

The much discussed deficit on a count director at J. Walter the task of maximising per cent and in humich 73 per cent. The most popular operas the view by one per cent to \$7 per cent.

The much discussed deficit on account director. Mr prices, and the 15 per cent rise in the account in the least popular operas as a decent. The will head the team seeking to the least popular was Somble to least of new productions. The work of the Private per cent average and cent to \$7 per cent.

The much discussed deficit on account director. Mr prices and in humich 73 per cent.

The much discussed deficit on account director. Mr prices in 1986-87 was 39 per cent.

The much disc Antony Thorncroft in's treatment, never sentiment more effectively, though prob-

Vaughan Williams was one of strongly sinewed at the climax the specialities of Andre Previn's and terraced with careful years with the London Symdon dynamics, preserved the freshphony Orchestra; with that ness; the RPO string section, orchestra he recorded a cycle of arguably the best to be heard in the symphonies and sundry other pieces. Clearly it was no passing interest, for Vaughan williams was the focus of Previn's concert on Monday with the Royal Philharmonic Orchestra at command of the idiom were the Festival Hall — fine performand of the idiom were commonsly beneficial. It is a

Royal Philharmonic Orchestra at the Festival Hall – fine performances of both the Fifth Symphony and the Fantasia on a Theme by Thomas Tallia.

A spell away from a work as bred in the bone of an English rousic critic as the Tallis Fantasia is bracingly worthwhile. Over-familiarity descrives it of its feeling of originality, takes for granted the historical context — work's dedicatee Sibelius, went work difficult it must have been for a young composer in early Edwardian England not to write in a language derived from and finale; one could imagine either Brahms or Wagner! Prevince of the proportion in the schemo in a language derived from and finale; one could imagine some sectione urged forward in a treatment, never sentimen-

not have been so convincingly ify sumptuous or lachrymose, solved.

but never strongly characterised

solved.

The RPO and its Principal either. It was effective largely chanks to Previn, whose knack of making Rakhmaninov's account of Rakhmaninov's expressive tics into convincing Paganini Rhapsody. It was an exceptionally fleet, well articulated performance, never blows-

Saleroom/Antony Thorncroft

Banking on reputations

A series of letters written by Newton Fowell, a midshipman on the first convict fleet to Botany Bay in 1787-88, to his parents, with descriptions of aboriginals and kangaroos sold for £105,600 to Maggs at Sotheby's for suction records for porcelain of £105,600 to Maggs at Sotheby's has established two auction records for porcelain of this period in the past month, first in Hong Kong and then in New York when a dish made scripts by some of our leading contemporary writers were offered for the first time at auction records for porcelain of this period in the past month, first in Hong Kong and then in New York when a dish made \$602,575.

A Hong Kong private buyer bought an early Ming blue and white Meiping, a vase over 13 inches high, for £231,000, within the organisation which defends the organisation which defends

In the auction of English literature and history, two memoirs of Oscar Wilde, one by Frank Harris the other by G.B.Shaw, made \$17,050. The autograph book of Mrs Constance Wilde containing a poem and maxim by Oscar sold for £14,300. A

the estimate, and another early persecuted writers throughout the world. This is a speculative field who knows which reputations will survive?

Roald Dahl attracted a surprisingly high price of \$2,420 for the autograph draft of his screen version of the James Bond story You only live twice while Sea-

version of the James Bond story
You only live twice while Seamus Heaney's working papers
for his poem Remembering Maliby the \$181,500 paid by a teleibu did even better at \$2,640.
Tom Stoppard's screen play The
Human Factor based on the
\$1,380 and the typed draft of
P.D.James's A Taste of Death
sold for \$1,320. Quarritch bought
Alan Ayckbourn's typescript of A
Small Family Business for \$385,
while Lady Antonia Fraser's
typescript for her thriller Your
Royal Hostage sold for \$220.
In the auction of English litersture and history, two memoirs
of Oscar Wilde one by Frank four views of Tapley Park in north Devon by William Tomkins for \$33,000 and the same sum was paid for Escape, a racehorse owned by the Prince of Wales in 1791 and painted by John Sarrorhis.

large collection of papers relating to the striptease artiste, Josephine Baker, made £7,480.

Sotheby's had an excellent sale of Chinese ceramics and works of art yesterday which totalled £1,544,235 with a modest 12 per cent yeard of the paper how the pa \$1,544,235 with a modest 12 per cent unsold. It just shows how buyers are after quality. At Christie's on Monday a very routine sale was left with 36 per cent bought in. The big dealers were saving their money for the finer items.

Top price was the \$473,200 paid by the London dealer. Two noble sisters, Charlotte, Viscountess Canning and Louise, Marchioness of Waterford, followed the Victorian diversion of drawing and watercolouring. A bazaar in Allabad by the former, whose husband was Viceroy of India, sold for \$568, and a sketch of a child feeding peacocks by the latter realised \$428.

Arts Guide

the Arts Council's grant over the the revenue of the Opera House.

The will head the team seeking to that Covent Garden gets a decent gain more cash through the Minimprovement in grant, coupled with the security of a rolling three year commitment.

Theatre

LONDON

The Bover (Mermaid). Jeremy krons roisters into town in the BSC's Swar production by John Barton of Aphra Behn's rollicking comedy. It plays in repertoire with the Chernobyl play, Sarcophagas, an urgent but clumsily crafted hospital drama set in a terminal radiation chinic as the first victims of the disaster are wheeled in. (236 5568/w 638 5891).

A Man For All Seasons (Savoy). Chariton Heston begs no favourable comparison with Paul Scofield as Sir Thomas More in a leaden production of a play best left to amateurs and schoolchildren. (836 8888).

888).
Antony and Cleopatra (Olivier).
Peter Hall's best production for the
National Theatre he leaves in 1988
brings this great but notoriously
difficult play to thrilling life. Judi
Dench and Anthony Hopkins are

battle-scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving (928 2252). The Phanton of the Opera (Her

The optimism is built round died such key accounts as Kelper cent of its income of the new team at Covent Garden. loggs, Roler, and the RAF. At 227.755m from its grant, as As well as Sir John Sainsbury, Covent Garden he will front six against 53.9 per cent in 1985-86.

The Phantom of the Opera (Her Majesty's). Spectacular and emotionally nourishing new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera emblence designed by Maria Bjornson. Dave Willetts has succeeded Michael Crawford as the Phantom. (839 2344, CC379 6181/240,7200).

240 7200).

The Batcony (Barbican). Sadly dated and heavy-handed opening to the RSC's Genet retrospective, not helping to fight suspicions that the RSC, certainly in London, is stretched way beyond its creative capacities. Terry Hands directs, Farrah's set looks like a cheap pink brothel, and the actors, a dull lot, chanp around on high boots in big buiging costumes (622 8795).

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrant and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly under-

mine at old burleague reunion in a doomed theatre. Four new songs, improved book by James Goldman. Cast led by Dolores Gray, Julia-McKenzie, Dana Rigg, Daniel Massey, All good. (379 5389).

Meloa (Haymarket). Alam Bates pre-dictably good in new Simon Gray, clumsily directed by Christopher Morahan, about a jealous publisher viewed in fissiback from a psychi-atric ward after a breakdown. Not victage Gray. (936 9832).

did better at 69 per cent. Covent Garden secured 47.2

vinings Gray. (600 6003). Serious Momey (Wyndham's). Transfer from Royal Court of Caryl Churchill's slick City contedy for chaupagne-swilling yappies: how the hig Bang led to class tumuk and barrow-boy dealings on the Stock Exchangs. Hot and livid, but new cast deemed less good. (836 3028; CC 379 6665).

A Small Family Business (Ofivier). Brilliant new Alan Ayckbourn play about Britain on the fiddle ingeedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the large scale, (E28 2252).

The Woolgatherer (Garden hotel thesire). Lord Greystoke Productions presents a modern comedy by William Mistrodulumne directed by John Hattnett. (64 21 21).

NEW YORK

Fonces (6th Street). August Wilson hit a home-run, this year's Pulitzer Prize, with James Entel Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1860, trying to improve their lot but dogged by his own tailings. (221-1211).

Cats (Wirter Garden). Still a sellous, Trevor Nurn's production of T.S. Elion's children's poetry set to breastly music is visually startling and choreographically leline, but chasic only in the sense of a rather staid and over-blown idea of themerically (289 6282).

And Street (Majestic). An immodest celebration of the heyday of Broadway in the 1930s incorporates generated by his own tailings (221-1211).

A Cherus Line (Shibert). The longest running sustical ever in America has not only supported Joseph Jarge chorus line. (277 9001).

A Cherus Line (Shibert). The longest running sustance with its bestwangs stay is with several and produced of the French lim starting and characteries in the sustance with its bestwangs stay is with several and thiaritous original at the world's longest poemically by this country in the 1930s incorporates generated by the sustance with its bestwangs stay is with several to be a durable for the French lim starting by the sustance with its bestwangs stay is with several by the sustance with its bestwangs stay is with several by the sustance with its surface with its surfac

December 11-17

one's view of the play. That such a rethinking should be occasioned by a production in ignanese is nothing short of miraculous. Not only has Yukio Ninagawa transposed the play Irom medieval Scotland into the world of the Japanese samurai, but he has brought to it an oriental sensitivity and sense of pictorial values that transcends all language barriers. With its blood-red sun and falling cherry blossoms, this is indeed one of the most achingly beautiful theatrical experiences of our time. Following its triumph at the National Theatre, London, this revival in Tokyo is an unforgettable experience. Ends Dec 28. (2017777)

Kabuki (Kabuki-za). At 4pm a "new" play incorporating elements from existing dramas and based on the story of the 47 loyal retainers adapted, directed by and starring Kabuki's greatest showman, Encosuke, a specialist in spectacular stums and quick-change routines. Excellent English earphone commentary at their disposal tickens are avilable (on the day only) for a single act, but buy an English programme because the earphone commentary does not apply. Ends Dec 25 (541 3131).

Banraka (National Theatre). The puppet theatre is one of Japan's most refined art forms. Each doll has three operators who remain in sight of the antience throughout the performance. Their presence is soon furgotten, however, as the narrator at the side of the stage unfolds the story to the accompany is based in Osaka and visits Tokyo only twice a year. This month's performance includes Kitchilnogen Sanryaku-kun, a play about a war-wior who betraye his master and commiss ritual suicide. Earphone commentary in English. (265 7411). Ends Dec 20.

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Wednesday December 16 1987

A tax that lacks support

NO AMOUNT of bluster from Mr Nicholas Ridley, the UK Environment Secretary, can obscure the fact that the proposed com-munity charge or poll tax is highly unpopular even within the Conservative Party. Between 25 and 50 Tory backbench MPs 25 and 50 Tory backbench MPs may rebel tomorrow night at the end of the bill's second Commons reading. A revolt on this scale will not, regrettably, derail the bill but it will lay down an important marker for the real battle, which will be joined next year when the legislation reaches the House of Lords.

At the heart of the Government's case for the poll tax is the argument that it is needed in order to increase the accountability of local authorities. Some councils have differed with

councils have differed with Whitehall in their assessment of local spending needs; and ministers have been unhappy that the ensuing bills have not been spread equally among members of the local communities. In particular, the poorer residents have been able to vote for extraspending without the fear of a corresponding rise in taxation. This fundamental argument prompts various responses. The Whitehall in their asses

This fundamental argument prompts various responses. The first is that there is nothing wrong in different local communities having different spending priorities and every reason to suspect that a minister sitting in Whitehall will not be the best judge of local needs throughout the country. Central government ought not to want to impose its ought not to want to impose its views on each sub-sector of the country. Having said that, it is reasonable to expect high-spending local authorities to finance locally a high proportion of their additional expenditure.

Local democracy

This, however, is in no sense an argument for a poll tax. At the national level, nobody argues that government is unaccountable because its expenditure is lineaged by a range of taxes all able because its expenditure is financed by a range of taxes all of which are related to people's ability to pay. Nobody suggests that spending priorities are distorted because the unemployed and those on supplementary benefit can vote for higher central government expenditure even though they are in no position to finance it. What is so special about local democracy that about local democracy that by a flat rate levy universally condemned by fiscal experts?

If the Government's interest in local democracy were gannine it would not be seeking to impose a poll tax. It would instead be striving to ensure that a much

larger proportion of local spend-ing is locally financed, and in a fair and efficient manner. Yet on present plans, the proportion of spending financed locally will decline from 44 per cent to 25 per cent - largely because the accompanied by a centrally-administered uniform business rate. Local government is thus being made accountable to Whitehall, not local electorates.

Poverty trap

The poll tax, therefore, does not address the real issue of accountability. At the same time its flaws are manifest. The con-cept of levying a local tax at the

and also transfer resources from inner cities to the rich shires. Rebates for the very poor will, not remove the inequity but they will worsen the poverty trap and enmesh new sections of the electorate in the social security sys-tem. Central government will be doling out cash to meet bills that cannot be paid and which would not be demanded but for its enforced lowering of local tax thresholds. The whole exercise will be extremely costly - the community charge may in some areas cost four times as much to collect as the rates. Attempts to keep poll tax registers up-to-date, which will require cross-check-ing with electoral registers, may well lead to some voluntary dis-

The "banding" of the community charge favoured by Tory rebels represents a marginal improvement on Mr Ridley's plans it would introduce a welcome, if crude, link between charge and ability to pay but it is really no more than tinkering and does not address the underlying problems of local authority finance. A long-run solution awaits acceptance that property-based taxes actually make a lot of sense as an adjunct to taxes on incomes and consumption, being relatively fair, cheap to collect and economically effi-cient if local authorities are ever

Opec's loss of credibility

AT THE beginning of this year most of the the oil industry was predicting wide if not violent swings in the price of crude, and the price of crude in the price of crude i they were delighted to be proved

After the Organisation of Petroleum Exporting Countries long and exhausting meeting in Geneva last December, the market enjoyed an apparent period of stability with crude at about \$18 or a little above.

The sudden fall in prices in the last two days to nearer \$16 demonstrates that this stability was fragile and in one important respect an illusion. The fact that oil is priced in dollars obscured a decline in the cost of crude oil to most countries other than the US. The price of spot crude in non-dollar terms is 23 per cent below that of the turn of the year. More than half that fall is ittributable to the erosion of the dollar's value. The rest represents the sharp loss of confidence in the oil markets at the end of the most recent OPEC

meeting in Vienna.

The meeting showed that the agreements of the pest year have become strained to near breaking point, with the bitter politics of the Gulf war constantly rumbling in the background.

Immediate benefits

Iraq, which is producing some 2.6m barrels a day and exporting through its new pipeline to the Mediterranean, has steadiastly other 12 Mediterranean, has steadiastly meanwrine two thoughts for the SP) is Karel van party (the SP) is Karel van party (the SP) is Karel van party (the SP) is Karel van members in limiting production.

For the West, some further Metric, a relaxed 45-year-old whose friendly informality has been compared to Britain's been compared to Britain's other "moderate" states to bring Iraq into the agreement by offering it a production quota equal prices must be set against the Kinnock to that of its enemy lran failed. to that of its enemy iran failed.

The Iranian minister went off in The West must continue to find a huff at the end of the meeting; and develop oil fields to minimal were a candidate to emerge from the final agreement to limit ise the risk of much higher the SP it would almost certainly

believed.

Cheating by individual countries, particularly Abu Dhabi, has been so persistent in the past year that it is hard to see why it should stop now, whatever was said at the conference table. The meeting, therefore, did little to change the arithmetic of the world oil markets. Opec, including lraq, is now producing just when North Sea and Alaskan accomplished amateur musician and conductor.

In spite of the strong shift to the left in Wallonia, however, the socialists are at this stage far from certain of getting back into the Government after six years in the political wilderness.

There are many who believe that Wilfried Martens, prime of the period, in their working lives, and follows the mixed fortunes of the left in Wallonia, however, week.

The film crew – confronted by an unexpected scoop – had its problems as well. "I was problems as well. "I hot-headed capitalists interested in renting a crowd to lobby directorial debut turned out to Bonn in their working lives, and follows the mixed fortunes of the which happens to be rather the socialists are at this stage far from certain of getting back into the left in Wallonia, however, week.

The film crew – confronted by an unexpected scoop – had its problems as well. "I was problems as well. "I was problems as well. "I was problems as well." Hot-headed capitalists interested in renting a crowd to lobby directorial debut turned out to Bonn in their working lives, and follows the mixed fortunes of the which happens to be rather the socialists are at this stage far from certain of getting back into the left in Wallonia, however, week.

The film crew – confronted by an unexpected scoop – had its free.

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The film crew – confronted by an unexpected scoop – had its free.

The film crew – confronted by an unexpected scoop – had

2m b/d below that figure.
The oil market is now telling the cartel that if individual members are not prepared to make sacrifices by curbing pro-duction, they will all suffer from a fall in the price to substantially less than their \$18 per barrel tar-

Conference table

On the other hand, the recent attempts of several major oil companies to buy up their smaller competitors appear to be giving the opposite signal. If the oil companies thought the bottom was about to fall out of the oil companies thought the bottom was about to fall out of the
market they would be foolish to
be caught on a buying spree for
oil assets. They hardly need
reminding that if Opec lost control of the market, the price of
crude could easily fall below \$10

It was Spitaels, a solemn sociology professor, aged 56,
and former vice premier. He is
president of the French-speaking
socialist party (the PS). be caught on a buying spree for oil assets. They hardly need reminding that if Opec lost control of the market, the price of crude could easily fall below \$10 as it did 18 months ago. Indeed, since potential supply of oil is now at least 10m b/d greater than demand, prices might in theory fall to the marginal cost of production, which is nearer \$50 per barrel. Hardly anybody in the oil industry now believes such a collapse is possible, even though many came near to believing it in July 1986. The consequences for Opec members would be so catastrophic that some sort of accord. Fear of Iran and respect for Saudi Arabia are meanwhile two forces preventing such a collapse.

For the West, some further Meet, a relaxed 45-year-old Meet, a relaxed 45-year-old and respect for Saudi Arabia are meanwhile two forces prevent-

help economic growth. However, the immediate benefits of lower the group's output to 15.06m b/d prices and economic instability be the former economics minis-(excluding Iraq) is not generally some time in the next decade, when North Sea and Alaskan accomplished amsteur musician

Maggie Ford on today's South Korean elections, intended to end 40 years of authoritarian rule

DEMOCRACY, say the people of South Korea, is compelling. For months they have been revelling in campaign rallies and watching rival politicians vie to reveal facts never previously known. They have been exploiting to the foodom to express their full the freedom to express their opinions openly for the first time

n many years.

Today - election day - the carnival is over and votes are what count. No matter who wins, the future will be no picnic. The future will be no picnic. The three main candidates have fought for election to the presidency of a country that has been ruled by authorizarian governments since independence in 1048. Florida compaigns leading 1948. Election campaigns leading 1948. Election campaigns leading to a civilian democracy are one thing; the tricky business of enacting that democracy after the elections will be quite another. Inevitably, there will be many frustrated supporters and aspirations on the losing side; the behaviour of a few key military leaders behind the scenes or in front - will be crucial in a country where military intervention has never commanded the broad support of the samy but has depended on a few vitally placed generals.

South Koreans have as much

South Koreans have as much to lose as they have to gain today if the enthusiasm for free elections cannot be translated into patience and tolerance of the inevitable imperfections of

democracy.
One of the principal candidates accountability. At the same time its flaws are manifest. The concept of levying a local tax at the same rate on road-sweepers and millionaires is offensive to many: 60 per cent even of Tory voters oppose the community charge. Rebel Tory MPs such as Sir Philip Goodhart point out that it will redistribute cash away from the poorest constituency wards and also transfer resources from tinner cities to the rich shires.

Rebates for the very poor will the principal candidates in the heir to the current regime of President Chun Doo Hwan, who took power in a military coup in 1979. The other two main contenders have been fighting, at great personal risk, for democracy against Mr Chun and his predecessor all their political lives. Today's election could be a close call between all three, making the size of support for minor candidates more than usually interesting.

usually interesting.

The candidates are united in their determination to end mili-tary rule. This is the key issue which underpinned the mass demonstrations in June whose pressure ultimately led the Gov-ernment to capitulate over direct

All the candidates, including Mr Roh Tae Woo, the former general who stands for the ruling general who stands for the ruling party, claim that they are the best qualified to unpick the web of military rule. As a military man, Mr Rob says he knows how to get the military to go along with democratic change, change that he himself put into motion could be the military to go along. earlier in the year. But Mr Roh's credentials in

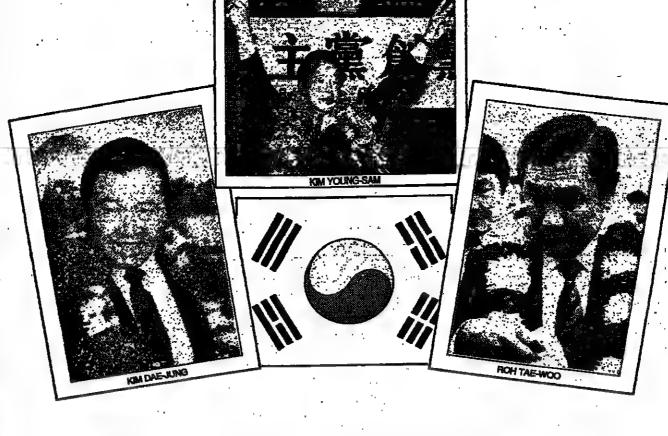
this area have been severely dented by revelations during the campaign of the events of December 12 1979 when he

Mr Kim Dae Jung, the third seem likely to favour Mr Koh on candidate, has even stronger restant the stability issue.

Belanced against this, howwant an end to military rule.

Repeatedly jailed, exiled and change held across classes and narrowly escaping execution regions. Many voters appear to during his fight for democracy want a much more equal society, and human rights, he also represents the people who have suffered most from the present Government.

by the regime in 1980 led to the anced econo



On the brink of democracy

western

We Kim's home

The full facts remain
were the incident and over genwe crail discrimination against
Cholla people runs deep. Mr
Kim's supporters are the most
fervently anti-government and
the most strongly loyal of all.

The candidate

united in their

December 12 1979 when he helped President Chun take power. Because of press censorship, South Koreans had not previously been sure that a military coup had actually taken place, nor of the role of Mr Roh.

Now that they know that a coup did take place in which Mr ress. There is no point, voters Roh played a principal role, he appears to have lost support, economic growth already Mr Kim made the issue of millacence which could destroy the especially to Mr Kim Young Sam. economic growth already Mr Kim made the issue of millacence which could destroy the especially to Mr Kim Young Sam. economic growth already here when a senior general jailed and threaten the when a senior general jailed and forces willagers, small shopkeepers, the pledged support for his candidacy.

Mr Kim Dec Iwas the thirt control of the proposition of the status quo ably happy with the status quo Mr Kim Dae Jung the third seem likely to favour Mr Roh on

ernment.

The imposition of martial law end to corruption and more bal-

another military crackdown.

Mr Kim Dae Jung would also be a bad choice under this theory because elements of the military could move against him, fearing the revenge his supporters might exact for the Kwangiu episode. Mr Kim Young Sam, regarded by many as the 'safe' candidate in this area, has also attracted some fears of a military yeto problem since the former general joined his party.

The third issue on which voters have focused is the desire for a truly free society, where human rights are respected, freedom of the press, speech and assembly is the horm and all elements of authoritarianism are

the much more free atmosphere

to benefit from this desire for full democracy, not least because for full democracy, not least because Mr Roh has failed to deliver on his June pledges to introduce a free press and release political prisoners, who now number more than before the amnesty which followed the June prominer Hundred of students and ises. Hundreds of students and other political activists have rou-

Voters today must calculate Voters today must calculate whether the same situation would not take place again if Mr Roh was elected president. He has promised some kind of vote of confidence, though in what form is not clear, after next September's Seoul Olympic Games in an effort to persuade voters to give him time.

A crucial operation is what hap-

A crucial question is what hap-pens after the election. Will the result be universally and peace-fully accepted? In a country fully accepted? In a country where 60 per cent of the electorate is too young to remember the last democratic presidential poli in 1971 (narrowly lost by Mr Kim Dae Jung to President Park, predecessor of the current leader), the campaign fully lived up to their expectations that politics should be exciting.

But it was also marred by

But it was also marred by accusations of unfairness, by some violence and by regional rivalry. While millions enthusias-tically attended rallies for the two kims, millions of others in politics, in mass "mobilisa-tions" of supporters, especially for Mr Roh. A great time was had by most, except in the cases where regional rivalry reared its head.

resulting bottles, eggs, tear gas canisters and minor punch-ups afflicted all the candidates to some degree, with Mr Roh taking most of the flak. Several rallies paigning in opponents' home

towns. Considering the numbers involved and the passions aroused, however, not to mention the alcohol consumed, the violence was relatively minor. Perhaps the most serious prob-lems relating to the fairness of the campaign was the bias in television coverage in favour of Mr Roh, the involvement of public officials and the distribution of gifts and bribes. All opposition candidates, complained bitterly

Flying bottles, eggs and tear gas afflicted all the candidates

about the ruling party's advan-tage in these areas. Those votes that the ruling party can gain through such practices will probably come from rural areas and among the less well educated. Urban workers and middle class voters were thought to be be affected.

Balloting itself has in the past enerally been fair and indeed professionally organised in South Korea. Television coverage of the constitutional referendum in October was similar to that of a British election, and voters themselves do not expect ballot stuffing or voting box theft. All parties are allowed observers in were called off, notably in Choils the counting rooms, and voters province, where feelings against themselves will watch for any opponents of Mr Kim Dae Jung irregularities. A number of forrun very high. Mr Kim himself eign observers have also arrived suffered problems while caming in opponents' home unofficially.

One major potential problem already exists, however. Of the total 850,000 absentee votes which have been cast, more than 500,000 are those of soldiers on military bases. These votes are already widely regarded as have already widely regarded as hav-ing been cast under supervision for Mr Roh, as has been the case in previous elections. Should he min with a margin of less than about im votes, cries of foul are certain and will probably win popular support.

tucy Kell

facing

The attitude of South Korean's 10m Christians, especially the Catholics, could also be imporpantal Long a strong supporter of human rights and justice, both the Protestant National Council of Churches and the Catholic Church refrained from advising Church refrained from advising voters on the candidates. Cardinal Stephen Kim reportedly told Mr Kim Dae Jung, also a Catholic, that he too is in favour of a broad based democratic government. At the weekend, long queues formed at Seoul's main anticological as people waited to queues formed at Seous hain cathedral as people waited to watch a previously unseen film of the 1980 events at Kwangju. Churchgoers were said to be hor-rified by what they saw.

South Korea's students are also South Korea's students are also an influential element. They appear to be divided between the two Kims, with Kim Dae Jung commanding a majority of them. Their ability to persuade their families to vote the same way as themselves will be just as important as their individual votes.

While the domestic issues have dominated the campaign, the result of the election could also have implications for progress towards peace on the peninsula. A successful transition to democrate might being with it the content of the racy might bring with it the pos-sibility of a thaw in the cold war between South and North Korea.
This makes the outcome of particular interest to the US Government, which has 40,000
troops and a number of bases in

US administration officials in Washington regard their influence during the summer in encouraging the Seoul government to move towards democratically administration of the second secon ment to move towards democracy as an important foreign policy success. However, US officials have maintained a low profile during the election itself, stating simply that they welcome democracy and find all candidates acceptable. They have been asked by the opposition candidates to use whatever influence they may have in the event of any military intervention, but neither Kim has taken up an invitation to visit. Washington following a trip by Mr Roh two following a trip by Mr Roh two months ago.

American officials have urged the military to stay out of poli-tics and urged South Koreans to accept the result of a fair elec-tion. Should Mr Roh lose, they may have a role to play in guar-anteeing the safety of President Chun after he steps down from power next February.

In the final hours before they go to the voting booth, South Koreans are pondering the best stability, national reconciliation and peace - pre-conditions, they believe, for the country to pres-ent itself honestly on the Olympic stage next year as a modern

Which ever candidate wins, the voters are determined to make sure that this year's move towards democracy continues. The decision on who is the best person to direct the future will partly depend on their feeling about the pace of change. It is a decision fraught with danger but full of hope.

King's move in Belgium

As King Baudouin yesterday pondered the results of Belgium's inconclusive general elec-tion, speculation mounted as to who might be the country's next prime minister. The monarch, unusually, finds himself at the pivotal position of

Belgian affairs.
With the famous linguistic divisions complicating an time already broad range of different

political groupings, observers agree that it could be weeks or even months before a new goverrument emerges. But the man most likely to be

would be so catastrophic that a country whose prime minister they would be forced back into traditionally has been able to

Labour Party leader Neil Like Kinnock, however, he has

Men and Matters

Bailey's scoop

Occasionally young media peo ple may have a brilliant idea

for a television documentary and go on from there to win the glittering statuettes and rose

Tyro director Catherine Bailey is the first apprentice television executive I have heard of, however, who has been lucky enough to have a great story thrust upon her when making her first film. Her debut as a director of a Channel Four production, planned last summer, was to be about the carefree lives of Eurobond dealers in the heady days of the bull market.

After six weeks researching background at Credit Suisse First Boston in September and early October, she arranged for her crew to arrive for the first day of filming at 7am on Monday Octo-ber 19. Two hours later, the markets started to go into free fall and the subject of the documen-tary changed in front of her eyes from cheery yuppies to the end of the world as many punters

knew it.

The resulting 40-minute film,
The Money Slaves, shot that day
and the rest of the week, is to be
shown next Sunday. It records
the reactions of traders trying
hurriedly to adjust to a revolution in their working lives, and
follows the mixed fortunes of

since 1979, is simply biding his be a more demanding task than time.

Vestments extra

Yesterday's Frankfurter Allge-meine Zeitung, the heavyweight West German daily newspaper, enlivened its pages with a timely reminder of some of the coun-

try's present concerns.

While the politicians in Bonn are still squabbling about barring masked demonstrators from taking to the streets, and their colleagues in Hamburg are patting themselves on the back for finally bringing to an end a six-year squat, the paper reproduced a fly-sheet which it said had appeared recently on the streets of Frankfurt and Berlin.

"Rent a Demo" may be nothing new to afficionados of Britain's satirical sheets. But the spoof version depicted in the Allgemeine offers some special Teu-tonic touches. The original squatter - with a

suitably green eco-bicycle --comes as a five-minute minidemo for the price conscious. Better, perhaps, is the next step up, the standard version which offers 30 minutes worth of 30 demonstrators, "some masked", plus cheerleader. But for those with the most refined tastes in politicised West

Germany, where even clerics take to the streets to make their feelings known, there is the "super gala" version.
For the right price anyone can rent 100 demonstrators for 90 minutes, including 15 punks, three little children, and three

times for Germany should act quickly. The special offer of one free preacher per demo is open for a limited period only.

Field politics

At last something is being done about the scandal of the disappearing hedgerows which, within the last few years, has turned parts of rural Britain into-

Since 1947, 109,000 miles of nedgerows, a quarter of the total nileage, in the UK have been lestroyed. Lately they have been going at an astounding 4,000 miles a year.

Christopher Hall, chairman of the Ramblers Association, yesterday launched a campaign at Westminster to save Britain's rapidly disappearing hedgerows, pointing out that there was nothing to stop a farmer destroying a hedgerow, however ancient. Controls are urgently needed to stop their destruction, he

argues.

Dr David Clark, shadow Agriculture Minister, says that
Labour would try to amend current legislation to regulate grub-

rent legislation to regulate grob-bing up hedgerows. If unsuccess-ful, Labour would introduce its own bill, he promises.

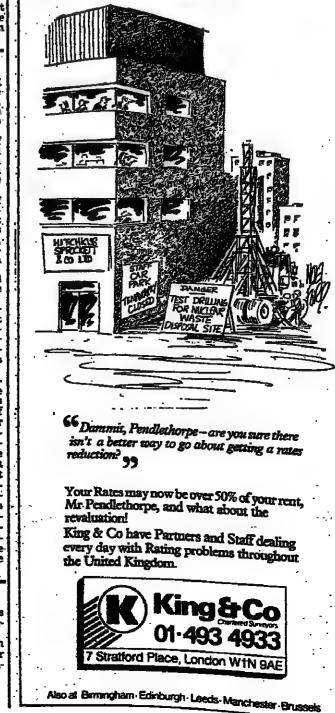
He is inclined to make Euro-pean farm policy the ultimate villain responsible for assaults upon hedges. "The people of Britain have paid very dearly for the common market's farm rolthe common market's farm policy, both in financial and environmental terms. The cost to the average household in the UK is a staggering £11.50 a week. But even that cost pales into Insignif-icance compared with the envi-ronmental cost. In the eastern part of the country we are creat ing monocultural deserts, landscapes without hedges more rem-iniscent of the Wild West of the-United States than Constable country.

Unforgettable

An American woman was overheard in London's Tate gal-

ery.
"I'm sure we were here when we were in London last year Waldo - I remember the wom-

Observer



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And the second second

The state of the s

All a range

TOR CORNEY

Lucy Kellaway reports on the predatory wave facing independent UK oil companies

Struggling to evade the giants' grasp

THE BRITISH independent oil sector is for sale. Big oil companies all over the world are urgently debating whether to join the bidding for half a dozen modest. UK companies, each of which is sitting on a small pile of valuable oil assets. The North Sea clean up, expected for the last two years, appears to he happening at last.

British Petroleum set the ball rolling last week when it bought if per cent of Britoil. Suddenly, the share prices of the other independents leapt by as much as 40 per cent as the City set against a long list of wealthy potential buyers the short list of available targets.

Less than 48 hours later, Elf Aquitaine bid for Tricentrol, while a second mystary boyer joined the battle for Britoil. Names as different as British Gas, Conoco, Amoco, Exon, Agip, Deminer, Phillips, Chevron, Petrofina, Total, Mobil, Occidental Petroleum and Rio Tinto-Zinc were said to be behind the new buyer's loise beard and sunglasses – although when the disguise was removed, nobody seemed particularly sundenders and the mystar street were in the performance of the independents. They have been street the size of the independents and the prices of the order that the share prices crashing of the sector, appears unprepared to confident of further has appeared so confident of further has the confident of further has been wiser to wait at least until this week, they would sale may be more independents? At least in theory a good case and the oil price to Sile and Arco might have been wiser to wait at least until this week, they would a self-for the continued as 40 per cent as the City set against a long list of wealthy potential buyers the short list of available targets.

Less than 48 hours later, Elf Aquitaine bid for Tricentrol, while a second mystary boyer industry and the mystary boyer potential buyers the short list of the mystary boyer potential buyers the short list of the mystary boyer potential buyers the short list of the mystary boyer potential buyers the short list of the short list of the mystary boyer pot

behind the new buyer's lalse beard and sunglasses — although when the disguise was removed, nobody seemed particularly morprised to see Atlantic Richfield.

The lengthy list of imagined predators reflected more than City vagueness about what was happening. While many of these companies may never have considered such a move, the acquisition of a UK oil independent would make good sense for US and a cance one can point major fields found by indept dents, in the UK the higher cos mean that most small companie are mere partners in large mean that most small companie are mere partners in large mean that most small companie are mere partners in large mean that most small companie are mere partners in large mean that most small companie are mere partners in large mean that most small companie are mere partners in large mean that most small companie are mere partners in large mean that their urgent need to grow has meant that they have pushed their partners into developing fields early, while their are most. It is no coincidence that British most of the best licences thanded out years ago, hwying up existing companies is one of the few ways to expand quickly.

While the logic is clear, the timing appears odd. Most of the timing appears odd. Most of the independents could have been acquired at a fraction of today's prices last year, when the fall in the oil price put their seconds.

the oil price put their survival in doubt. Perhaps the majors, which were then too preoccupied with their own problems to hunt for bargains, are determined not

to be caught out again.

Last week BP snatched at the opportunity provided by a while this is not the first ogist and one economist."

depressed stock market, boldly rationalisation that the sector Mr David Montague-Smith, an ignoring the signs of disarray at has been through - It has grown oil consultant, says that the indette Organisation of Petroleum up in a continuous whiri of pendents are chasing the wrong

have one strong card to play. North Sea development which Most of them have at least one shareholder with its eyes fixed on the next decade rather than the Topic screen. ICI has a major loverlooked by a larger company. However, the real worth of the independents is difficult to stake in Enterprise, Burmah Oil assess. While in the US and even onshore France one can point to capel & Leonard is protected by major fields found by independents, in the UK the higher costs mean that most small companies are mere partners in large groups. The independents themselves argue that their urgent need to

But none of the independents sweet away, the UK would not can feel totally secure. If a big oil be much the poorer. 'Many of company is prepared to pay over these companies have not perthe odds to secure the strategic formed all that well," he says, benefit of a larger foothold in 'They are still tiny and have not the North Sea, it may meet little progressed from being mainly resistance.

While this is not the first prist and one economist."

horse". Instead of starting out remaining groupings. They have with new technology and a also been good at buying oil long-term view of the industry, he says they have been created by financial institutions with a Farm field in Dorset - which the says they have been created by financial institutions with a Farm field in Dorset - which view to raising capital for the North Sea. "To put it at it sim-plest, the independents are little more than a lutures market." turns out to be bigger every time it is probed with a drill bit - was a wise investment and much

coveted by potential predators.

What could these companies ing of the Government and have offer in return for their indepen-grown in response to its chang-ing policies. The seventh round that it can survive a brief period of low oil prices, their strategies for long-term growth are not established. Most have seen that the future will be away from the North Sea, but their efforts to diversify have not been altogether encouraging. Early moves in the US were mainly unsuc-cessful – both Britoil and Tricentrol have withdrawn at a cost o more than \$50m apiece.

tional effort appears more prom-ising. Both Lasmo and Premier Consolidated have made exciting discoveries in the Far East discoveries in the far East, Enterprise is scenning virgin territory in the Seychellas, while Britoil is branching out in a small way in Egypt, Ecuador and Equatorial Guinea.

These strategies may never be put to the test. Even if the oil independents escape from the majors this time, without rocksteady protectors they must view.

steady protectors they must view such bout of oil price and stock market weakness with trepida-

The West German economy

No time to back away from revitalisation

By Gerhard Fels

RECENT developments in the financial markets have confronted policy makers in the major developed countries with a new reality. While public officials have been preoccupied with inflationary expectations, the stock market crash seems to signal that market participants tend to have deflationary expectations. There is a danger that these forebodings of recession will prove self-justifying, because the confidence of those responsible for real economic activity is undermined by the

1200

responsible for real economic social services and interventionactivity is undermined by the crash.

West German officials, along with the others, are reconsidering their policy stance. Market pressure has brought about a reassessment of the country's monetary and fiscal policy that political pressure from the US Government was not able to intiate. The economic policy controversy between the US and West Germany reflects two different concepts of supply-sideoriented policy. The US approach has been less concerned with monetary targets and public deficits than the West German.

Over the past five years, economic policy in the Federal Republic has been guided by two major principles: stability and predictability. This was a reaction to the traumatic experience in 1921, when the impression in 1981, when the impression was widespread that policy makers had lost control of the economy: the external value of the D-Mark was falling the current account recorded large deficits was widespread that policy makers had lost control of the economy: the external value of the D-Mark was falling, the current crucial support for the US. account recorded large deficits. Although the US's external payand the state of the public ments deficit is directly related finances deteriorated rapidly. The country's policy mix of When the Government of Chancellor Helmut Kohl came into power in late 1982, the overriding task was to restore confidence by embarking upon a burden. Policies aimed at lower-

supply-side-oriented drive to revitalise the economy through increased competition never seri-ously got off the ground. In spite of pledges to bring about a Wende - a fundamental turnaround - it took only small steps

towards breaking up the eco-nomic structure it had inherited. Privatisation and deregulation

The short-term task is to stabilise expectations. The financial markets are in a state of high nervousness. They are waiting for actions which signal that policy makers share their concern and are prepared to act accordingly. As is well known, style often matters more than substance in according to the stance in according to the stance. stance in economic policy.

On a more fundamental level, ing task was to restore coundedness by embarking upon a burden. Policies aimed at lower-course of monetary restraint and fiscal consolidation. His objective almost certain to dampen aggrehas been achieved — no small accomplishment in times of time when negative effects on consumer and investment spending as a result of the stock mar-liest develonments seem likely to depress the economy anyhow.

The world economy may slip, perhaps for the first time since the 1930s, into a truly Keynesian situation if governments fail to respond in time. Unless West Germany, along with Japan and the rest of Europe, is prepared to act, it may soon find itself confronted with even more unfa-vourable circumstances. In the are cases in point. On issues such fronted with even more unfa-as Lufthansa or the Bundespost, vourable circumstances. In the the coalition took only half- absence of co-operation from the

rest of the world, the US must be expected to employ protectionist measures and to drive down the dollar even further.

Monetary policy over the past two years has been by no means restrictive, as central bank money growth has been exceeding its target by considerable
margins. Still, there seems to be
some scope for further relaxation. One reason is that at
near-zero inflation and long-term
nominal interest rates in the 6 nominal interest rates in the 6 per cent range, real interest rates are quite high by historical standards. Lower interest rates in West Germany, at the same time, would help to widen the interest differential vis-a-vis the US, which is necessary to finance the latter's trade deficit by private capital flows (rather than by foreign central bank credit, as has largely been the case this year).

Fiscal policy can make a contribution as well. In addition to tax cuts amounting to DM14bn (\$4.7bn) in 1988, which have already been passed, the Federal, Government has proposed a package of further tax reductions totalling about DM28bn. tions totalling about DM20bn scheduled to take effect in 1990. But, in the present circum-stances, this second package should be put into effect as soon

in the event of a sudden and dramatic deterioration of the world economy, officials may alternatively resort to the provisions of the German Economic Stability and Growth Act of 1967. This stipulates, among other things, that personal and corporate income taxes can be actived across the head by reduced across the board by up to 10 per cent (for a maximum duration of one year). A big advantage of these measures is that they can be enacted virtually overnight; they need no

advance approval by parliament.
Critics argue, of course, that
monetary and fiscal expansion
could jeopardise the economic
policy achievements of the early
10806 However this depose 1980s. However, this danger would seem to be quite remote at the moment — the situation today is totally different from that period. In the light of the present problems in the world economy, the markets would most certainly accept a tempo-rary departure from the policy

stance of the past years. They may indeed be waiting for it. The author is president of the Institut der Deutschen Wirtschaft, a research organisation supported by German industry.

Columbia. disfigured

From Mr Nelson P. Rimensm

Committee on the District of

Columbia.

Sir, Cheers to the Prince of Wales for putting the stick to those responsible for deficient planning and mediocre architectural design in the UK and particularly in London ("Prince Charles attacks City developers," December 2).

As a former member of the National Capital Planning Commission (NCPC - the planning and design review body for Washington), I have long wished someone at the highest levels of our civic hierarchy would speak up about the intrusive disfigurement of the skyline of the capital of the US. The Prince's observation about the need for "experts to come down out of their ivory towers and listen to the lay published and listen to the lay published and listen to the lay published. towers and listen to the key pub-lic is pertinent to Washington

lic" is pertinent to Washington and other capitals as well In 1983, Washington's citizens attempted to assume direct participation in a singularly important design issue involving a large block overlooking the White House, in the oldest precinct of the city's civic centre. In an overwhelming biracial vote (Washington's constituency is 70 per cent black) citizens enacted the Rhodes Tavern Preservation Initiative law. This act provided the Rhodes Tavern Preservation Initiative law. This act provided for a citizens' commission of laymen and experts to consult with Oliver Carr, the capital's most prominent developer, and his architect, David Childs, a former NCPC chairman, to seek a design solution for preserving the historic Rhodes Tavern (c.1799). Washington's first town hall and oldest extant commercial landmark. Citizens had one design solu-

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1933

Letters to the Editor

interested organisations with Europe. As a result there were the accompanying unemployproven fund-raising records were on board to provide design and

on board to provide design and restoration financing.

All this popular action was aggressively opposed on all fronts by an ego-driven, paramoid, petty fraternity of planners, architects and developers. This gang was appelled at a precedent demonstrating that citizens cared enough about their history and environment to demand admittance to a heretofore clubby, closed, design and development decision-making a

development decision-making and review process.

Within a year, the considerable political leverage of developers and their cohorts prevailed to crush this "dangerous" citizens' movement. Rhodes Tavern, the only remaining building in Washington passed by every presidential inaugural parade, was demolished by authority of the nearly total acquiescence of Washington's elected and appointed establishment.

Nelson F. Rimensmyder,

Nelson F. Rimensnyder, Committee on the District of Columbia, US House of Representatives, Room 1310, Longworth House Office Building, Washington DC Breilding, ngton DC

The Prince may have the wrong man

From Mr James Bartlett.

relatively few examples where architects had a free hand, as

development decision-making architects and most outstanding architectural designs. Offices, in particular, offer far better working conditions, and lower rents, and their designs are appreciated by a much larger section of the community than in the UK. This is not to say that glass-clad sky-scrapers, for example, are preferable; they merely reflect the inherent taste in that country. But it does illustrate that when the architect is "liberated" he the architect is "liberated" he inevitably produces a better product, rather than a compromise design - often to placate subjective judgements rather than the concerns of occupiens themselves.

themselves.
James Bartlett,
Bartistt & Co, Chartered Surveyors, 16 Davies Street, WI

More bankruptcies would follow

solution for preserving the historic Rhodes Tavern (c.1799). Sir, Frince Charles's observations on buildings have been priced of the commercial lands mark.

Citizens had one design solution already in hand, which provided for new construction to take place around the Tavern with no loss of rentable floor space. Also, individuals and

Such an approach would be sheer folly. Already it is being suggested that one in 10 farmers in the UK could go bankrupt. To rely on price reductions alone to reduce surpluses would greatly increase these bankruptcies, with the resulting deteriorating quality of our countries and quality of our countryside and

They were born with the bless-

grown in response to its changing policies. The seventh round of Ecensing, for example, was so pro-independent it encouraged

very British icecream vendor and hotel company to join for-eign oil operators to increase their chances of winning acre-age. While most of these "oil

age. While most of these "oil companies" have been absorbed into bigger groups, the shape of the larger remaining ones has been designed by the fiscal regime. When the oil tax policy was changed in 1963, the independents bought slices of the Forties field when the Government announced that exploration costs could be offert ageinst

tion costs could be offset against

Those which have prospered have been adept at doing deals—
a skill which helped them through last year. The smaller companies have been taken over by larger ones as the risks of operating in the North Sea have increased—and the process might have gone further had it not been for the flercely independent personalities of the

ecroleum Revenue Tax.

Oil Exploration

ment.
The rational answer to surarchitects had a free hand, as final design approvals were made by the relevant planning authority. However, these planners have only been interpreting the statutory planning policies; the failure must have more to do with the logic of the legislation in the first place.

North America generally has very liberal planning codes. The rational answer to surpluses is a multiple approach of price reduction, quotas, extensification (lower input, environmentally sensitive farming etc.) and some direct income support in the Less Favoured Areas.

Only by such an approach of the surpluses be reduced while the countryside and rural population remain protected.

Parational answer to surpluses is a multiple approach of price reduction, quotas, extensification (lower input, environmentally sensitive farming etc.) and some direct income support in the Less Favoured Areas.

Only by such an approach of the surpluses is a multiple approach of price reduction, quotas, extensification (lower input, environmentally sensitive farming etc.) and some direct income support in the Less Favoured Areas.

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The rational answer to surpluses is a multiple approach of the less favoured Areas.

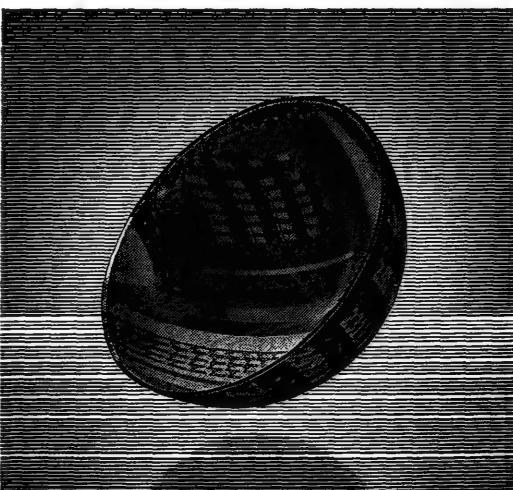
Only by such an approach can the surpluses in the Less Favoured Areas.

hanks to get young people to borrow money beyond their means.
While I deplore any attempt to
persuade young people to overcommit themselves, it seems
likely that the example mentioned by Mr Mills is a clear
breach of the law under Section 50 of the Consumer Credit Act. 1974, which states that it is a criminal offence to send to a minor any document inviting him or her to borrow money.

While it is a defence to show that the magnetical lender did that the prospective lender did not know and indeed had no cause to suspect that the person being approached was a minor, this defence would surely be unlikely to succeed in the case of a joint stock bank approaching one of its own customers to offer

a loss, if that customer turner out to be a minor. P.G.L. Mudge, 21 Poulest Cardens, Twickenham, Middlesex

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Chefs should ponder the 11th Meditation of Brillat-Savarin

From Mr Gerald Long Sir, I greatly enjoyed Paul Betts article on the export wor-ries of French hauts cuisins. The idea of copyrighting disher Retts' article on the export worries of French hauts ouisine.
The idea of copyrighting dishes
is full of promise, there is a feast
in prospect for the lawyers, to
judge the cases will call for a
Bridoie or a Cockletarrot, and
they will be a joy to report.

One cannot help wondering,
however, what it is they plan to
copyright, especially since most
of today's fashionable chefts publish their recipes. It would be a
disappointment if more than a
very few of the 50 wished to
protect only the names of dishes;
there is one chef who seems
there is one chef who seems
and franchising than cooking,
and whose detractors say, no
doubt unfairly, that he spends
more time in front of cameras
than stoves, but it could be

honed he was an exception. The chefs should ponder the Eleventh Meditation of Brillat-Savarin, in which he traces the origin of the French food indus-

and to true innovation like that France

Hungry invaders today find the prices of some restaurants, admittedly a tiny minority, more forbidding than the Old Guard litself. One of the main causes is the deadly combination of social security charges and the hunatic fringes of nouncile cuisine. Which is as labour-intensive as its Japanese model.

Happily the vast majority of restaurants are content to put food on the plate rather than sculptures they offer excellent value and suffer from no shortage of ingredients.

If true French cuisine can be exported at all, which is far from certain, exports will be largely confined to such as Bocuse Tokyo and Maxim's New York unless chefs return to the classical cuisine that Escoffier served for 27 years at the London Ritz, and to true innovation like that

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FINANCIAL TIMES

Wednesday December 16

Gorbachev

'offered to

withhold.

Nicaragua'

shouted questions by reporters at a picture-taking session at the

ganda campaign via a top-level Nicaraguan defector, publicising the Nicaraguan Government's plans for a massive military

build-up helped by Soviet aid. The Nicaraguan defector

who fled to the US seven weeks ago and has been under interro-gation — last week told selected US reporters that the Nicaraguan

Poland to

lift prices

By Christopher Bobinsid in

THE POLISH Government

announced yesterday that food prices would rise an average 40

per cent next year, following the Government's failure to win pub-

lic support in a referendum last month for more sweeping auster-

the ruling Communist Party con-vened a central committee meet-ing to sum up the referendum results.

The authorities failed to win

an absolute majority for their policy of economic and political change but did secure the sup-port of two thirds of those who

voted.
The Government had planned

an increase of 110 per cent in food prices, but this had been

The announcement came as

by 40%

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Mr Resdan



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Terry Dodsworth looks at a UK industrial policy triumph

Japanese sink roots in Britain

ALMOST EVERY sizeable Japanese electronics company has now put down manufacturing

This was confirmed with the decision this week by the Victor company of Japan (JVC) to set up a television plant in Scotland. In one sense at least, British Government policy has triumphed because the Japanese interest has underscored the UK's attractiveness to inward investors.

Even before capturing a fur-ther \$216m (\$396m) investment by the Nissan car company, also this week, the UK could claim to

this week, the UK could claim to be the preferred location for Japanese producers in Europe.

There are now 65 different Japanese operations in the UK, accounting for about 30 per cent of total Japanese investment in Western Europe.

In consumer electronics, however, the UK has not had it all its own way. Indeed, the main impact of the Japanese influx to make products of this kind has been in the televisions sector.

In other kinds of equipment, the Japanese have been investing elsewhere in Europe and supplying the UK from these over-

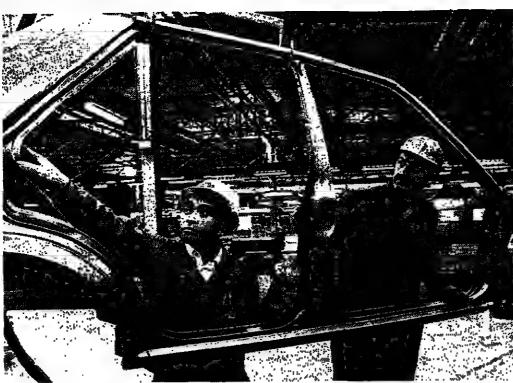
Historically, the Japanese made their initial European investments in the UK, probably for language reasons. These plants were mainly put down for television production, because this was the area in which Euro-

Further Japanese television investments clustered around the early ones because of the infrastructure of component

pean trade action against Japa-nese consumer electronic equip-

In the videocasette recorder industry, however, the Japanese proved to be by no means as keen on the UK as a manufacture. ing base, Although eight Japa-nese companies have VCR sites in Britain, none of them manu-factures more than 180,000 units

a year. Instead, the bulk of production was put down in West Germany, which now produces 2.5m VCRs a year, against 1m in the UK It is a European-sponsored company, J2T, which combined Thorn of the UK with Thomson



bulk of UK VCR production, with about 350,000 units last moving to head them off any-year. Thorn has recently dropped out of this consortium. In audio products, the picture is more mixed. But even here, the Japanese tendency to cluster in a particular country is evident in France, where the bulk of investment has been made.

These investment patterns audio front, the Japanese were have fallen from 41 per cent in moving to head them off any-year to 360 per cent in 1986.

The UK's weakness in audio products, however, tells against it heavily, with imports running at around 90 per cent of the total products, however, tells against in Europe production facilities were put down almost as soon as the industry got on its in consumer electronics was estimated last year at £836m in figures produced by Mullard, the philips subsidiary in Britzin, and

These investment patterns reflect politics as much as eco-nomics. In the first place, the Japanese decisions to put down sites in Europe have clearly been connected with restrictions placed upon direct exports by

in televisions, there was an early licensing restriction on large screen televisions which put physical limits on imports; in VCR's there was the now-cale-brated trade row which flowed out of the French action in vCR's there was the now-celebrated trade row which flowed
out of the French action in
strangulating Japanese imports
by channelling them all through
Poitiers; and by the time that
potential battles came up on the

According to Mr Jim Bottoms, of the BIS Mackintosh market research group, the UK's ability to attract Japanese companies

Second, the scattering of ures produced by Mullard, the plants around Europe is widely Philips subsidiary in Britain, and seen as a deliberate move to the main manufacturer of talevihead off conflicts over trade policies.

The Japanese are now considerable employers in all of these countries, and have influence to match.

According to Mr Jim Bottoms, and celicit stood at \$300m in 1000 might be overs

damaging competitors - and the Japanese themselves are proba-bly beginning to share that anxi-

1980 - might be over.

There are now aigns that those Europeans that are left in the industry are beginning to worry more about the South Koreans than the Japanese as potentially

Midland set for record UK bank loss

cial bank.

The loss, estimated to reach at least £350m (\$640m), will stem from an about-turn, announced yesterday, in the bank's proposed treatment of its provisions for doubtful Third World loans.

In July the bank said it planned to exclude the £916m Third World provisions from its profit and loss account by treating them as an extraordinary item. This led to accusations that Midland was artificially inflating its profits by coametic devices.

its profits by cosmetic devices.

Midland announced its retrest yesterday - only a few hours before a special three-man panel, set up by the Professional Stan-

MIDLAND BANK's financial dards Committee of the Institute results for 1987 will show what of Chartered Accountants in is expected to be the largest loss ever suffered by a UK commercial but the issue. Engand and Wates, was to due to investigate the iseas.

The investigation, set up following a complaint by another accountancy firm, could have led to disciplinary proceedings against Midland and its auditors, Ernst and Whinney, if they had maintained their original root.

maintained their original posi-Mr Nigel MacDonald, the senior technical partner of Ernst and Whinney, said last night that Midland's audit committee made the decision to include the provisions in the profit and loss account of its own accord.

Ernst and Whinney had not yet decided its own policy for the treatment of the bad debt

In July, the firm approved both Midland's proposed treatment and the opposite treatment by another of its clients, National Westminster Bank.

Mr MacDonald added that shareholders could not have been misled by either treatment and said the dispute was a storm in a teacup.

"It does not matter a row of beans," he said, while admitting that Midland had deliberated carefully and for several months before agreeing to back down.

Mr Ian Tegner, Midland
finance director, said that since
July a consensus had emerged in
favour of deducting Third World
debt provisions from the bank's

1987 profits. *Consensus is important in ensuring the authority of are presented.

accounting standards," he said. The Institute said yesterday that it welcomed Midland's decision to bring its accounting treatment into line and conceded that the "original decision involved matters of fine judg-

Mr David Damant, a member

of the Accounting Standards
Committee, said:
There is a strong argument
for order and comparability of
treatment of such issues. But no
one should think that the decision will affect real issues like the bank's future cash flows one

iota.
"It is doubtful," he added,
"whether any account-users
would make any different decisions whichever way the figures

Warning on missiles for Iraq

the Stockholm International Peace Research Institute (SIPRI), said this was just one alarming development in the spread of

Pressure mounts over Gaza violence

tial bids, Mr Hart's campaign has been dogged by debt. At present, he owes about \$1.6m from the 1984 and 1988 campaign.

The Federal Election Commission said yesterday that since Mr Hart's return to the presidential race, he is entitled to Federal matching funds for every

Continued from Page 1 with a report inflation in Israel had risen 1.6 per cent Local press coverage has been erratic, with reports playing down the scale of the troubles intermingled with outspoken comment. Most Israeli Ministers have remained silent over

the past week as the clash

have steadily spread. Mr Ezer Weizman, the out-

spoken minister without portfolio, broke the silence yesterday.

In a jibe at the Prime Minister, the former hawkish Defence Minister turned dove, said: "Whoever thinks this is a passing thing is

making a very serious mis-"It is...a result of the fail-ure to find a political solu-

Japan unveils

Asean package

person in the village of Beit.

tion, and the lack of a desire to even look for a political solution." Yesterday, the Israeli army took part in exchanges with demonstra-tors throwing stones and bottles throughout the nar-row Gaza Strip region. An army spokesman confirmed that troops shot dead one

Texaco's general creditors and a per cent of Texaco and a block committee of stockholders puts of Pennzoil.

THE LEX COLUMN

Cheap oil good, cheap oil bad

PRESIDENT Ronald Reagan yes-terday said that the Soviet leader, Mr Mikhail Gorbachev, had offered privately to with-hold military aid from the left-wing Sandinista Government in Nicaragua in the interests of the The oil market's reaction to news of the Opec meeting has been in one sense surprising. By yesterday's close Brent crude yesterday's close Brent crude had fallen to only a shade over \$16, down \$1.50 over two days; but the outcome of the meeting, after all, was much the kind of fudge which had been expected all along On the other hand, the market had done little to dis-count its expectations in answering a picture-taking session at the White House - said Mr Gorbach-ev's offer had come at a brief private meeting during last week's Washington numnit.

Lt Gen Colin Powell, Mr Reagan's national security adviser, referred to the tentative Soviet offer at the weekend, but President Reagan's remarks were advance, since Opec meetings are tricky things to forecast with are tricky things to forecast with confidence. In any event, the market is now looking for further weakness in the oil price in the first quarter of next year, particularly since stocks are unusually high.

The behaviour of oil shares yesterday was a little harder to President Reagan's remarks were the first time he had spoken about his 11-minute private dialogue with Mr Gorbechev.

This week, the Reagan Administration has mounted a propagation of the control of th

yesterday was a little harder to read, particularly given the number of special situations in the sector, more huge purchases of BP new (Kuwait again, presumably), Premier taking a stake in Tricentrol, and everyone squaring up for today's battle over Britoil. There was a logical divergence, though, between smaller exploration stocks like Enterprise, down on the day, and Government was planning to double its armed forces to 600,000 and receive advanced Soviet Mig 21 fighters in a long-term military build up to 1995.

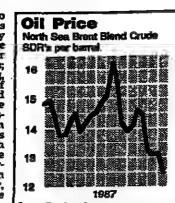
gence, though, between smaller exploration stocks like Enterprise, down on the day, and Shell, which managed a rise along with the market on the assumption that any damage caused upstream by a low oil price can be made good in refining and petrochemicals.

The rise in the market overall seems to have been determined more by Wall Street than by oil price considerations, though Wall Street's strength in turn owed much to Opec. But then, the London market has had immense difficulty over the past couple of years in making up its mind whether a falling oil price is a good or bad thing. It would be surprising, though, if sterling's slight weakness were not to continue. Though starting is not the petrocurrency it was, it still makes more sense to sell it on a low oil price than it does to sell the Yen. At the weekend, the Nicaraguan Defence Minister largely confirmed the plans outlined by the defector, Major Roger Miranda Bengoechea, a senior Nicaraguan defence ministry official.

The Reagan Administration is using Major Miranda as a weapon in its campaign for more funds from Congress for the right-wing Nicaraguan rebels. It has therefore suited officials to play up the Sandinistas' military plans and its reliance on Soviet aid. with Mr Gorbschev. One way is to suggest he has been flexible on regional conflicts such as Nicaragus. On other issues such as Afghanistan, US officials say Mr Gorbschev had little new to

Gninness Peat

Guinness Peat has been promising that the worst is over for as can remember, so there will have to be a decent interlude before to be a decent interlude before the rest of the financial commu-nity can fully believe its protes-tations that all of itsskeletons have been discovered and laid to rest. Nevertheless, the latest management team has made an impressive start. Yesterday's full year pre-tax profits of \$23.1m have been struck after an undis-closed apprision of around \$2m nave been struck after an under-closed provision of around £9m to clean up the last of the prob-lems in the merchant bank, and a £7m exceptional item to cover surprisingly heavy losses in its equity market-making operations



following the stock market crash. The group has also taken the axe to its III-fated US prop-erty venture and after adding in other extraordinary items made an attributable loss of \$5.9m and

an attributable loss of \$5.9m and has had to dip in to reserves to pay its \$8.1m dividend.

Fortunately, the group still has some surprisingly profitable parts. The US fund management operation chipped in \$12.6m, and the combination of some astate hedging against the dollar's decline and guaranteed revenues for the next three years. enues for the next three years underlines the group's confidence that this income stream is well cushioned against any further problems in the world's financial markets. Meanwhile, the balance sheet damage of the big provisions and the goodwill write-offs associated with its recent US acculsitions have been write-one associated with its recent US acquisitions have been mitigated by a £44m revaluation of one of its better investments its 21.4 per cent stake in GPA. This unquoted investment is carried in the books at \$200 per share but is probably worth considerably more. The same is true share but as probably worth considerably more. The same is true
of several other GP investments,
which explains why it is relaxed
about its relatively high gearing
levels. The absence of provisions
ahould help the group earn say
\$35m in the current year, but if
the shares are to trade much
higher than their current level of

Regional brewers

fully shaken off its past.

85p the new management will have to demonstrate that it has

tion of the tied house, threatening to contract consumer choice in the name of purer competition. The MMC's provisional ludgement that there is indeed a monopoly may be unsarprising, but it draws attention to the smaller brewers' potential vulnerability in the face of the big brands and big discounts – with no fresh consumer groundswell to protect them.

But had news for some managements and many local ale enthusiasts is good news for shareholders and brokers. Even without a kick from the MMC a restructuring is inevitable. The survivors will find strong niches and then, thanks to the ban on takeovers by big brewers, feed off their failing competitors. Shareholders should win either way given the strong asset backway given the strong asset back-ing of even the most burnt-out

J A Devenish with its electrifying 49 per cent pre-tax profit rise is clearly a survivor. Trans-formed by its new retailing culture it is throwing up new prod-ucts and reducing seasonality dramatically. With Vaux (23 per cent up) and Greene King (17 per cent up) the story is more mixed. The latter has the brands but - as a margins comparison with Devenish suggests - none of the retailing flair, while Vaux's hotel diversification has saved it from a declining ale business but possibly at the expense of making it a bid target. The brokers are having some rare fun spotting the winners and losers.

Midland Bank ...

Midland Bank and the Insti-tute of Chartered Accountants tute of Chartered Accountants were being extremely polite to each other yesterday, but there is no hiding the fact that Midland's decision to climb down on the accounting treatment of its \$916m of Third World debt provisions is yet another sign that the group is living up to its secident-prone image. Midland argues that accounting policies for Third World loans are very argues that accounting policies for Third World loans are very murky and it was just unlucky because it was the first to take a decision. The suggestion is that the other clearing banks changed their plans after seeing the furore caused by Midland's action. Canadian banks have also taken their provisions below the line and Midland says that professional investors were never Regional brewers

The day after two regional brewers reported pre-tax profits up 23 per cent and 49 per cent it may seem odd to recall that the whole affair is a storm in a teiman sector is facing its most difficult trading conditions for tants on its board, and its failure to be sensitive to the the accountainty also consumption, in the background the MMC examina-

1986

£'000

3,591

Hart back in race for presidency

Continued from Page 1 edged that his private life would come under further scrutiny, but he added defiantly: "We are not quitters

Mr Hart has never been a tra ditional politician and yesterday he admitted he had no money, no organisation, no polisters, no consultants' in his 1988 bid which will open next February in the first presidential primary in New Hampshire.

He is undeterred and appears driven more by the need for public recognition and debate of his ideas on military referate of his

ideas on military reform and economic policy than for money.
Throughout his two presider tial bids, Mr Hart's campaign has

matching funds for every \$100,000 he raises from private

World Weather

IRAQ could soon acquire from Brazil ballistic missiles capable have been fully briefed on the of carrying nuclear warheads or chemical weapons up to 300km, an expert in the international arms trade said yesterday, Reature reports from Stockholm.

Mr Aaron Karp, who monitors the international arms trade for sile, he said.

In the studies or chemical weapons with devastating accuracy over a long range, Mr Karp said in the studies, due to appear in US defence journals in the mean reports from Stockholm.

The dimensions are the minimum thought necessary to carry a likely Third World nuclear mistage.

The pact may slow things down a bit but it won't stop the Stockholm.

In the Studies of the minimum thought necessary to carry a likely Third World nuclear mistage.

ballistic missile technology to ballistic-missile technology was France, Canada, Italy, Japan and Third World nations.

The Brazilian SS-300 missile Such self-propelled, guided nisms both to monitor compliproject appears to be financed by missiles can be used to deliver: ance and enforce restraint.

mum thought necessary to carry a likely Third World nuclear missile," he said.

In two unpublished studies, Mr. Karp said a pact signed this year by seven Western industrialised nations on halting the spread of

next few months.

"The pact may slow things down a bit but it won't stop them. Determined buyers of such technology will inevitably find unscrupulous sellers," he said.

Mr Karp said the accord signed last April by the US, Britain, France, Canada, Italy, Japan and West Germany lacked mechanisms both to monitor compli-

food prices, but this had been reduced to 40 per cent, Mr Zbigniew Messner, the Prime Minister, told the central committee.

The overall rise in the cost of living index (which excludes alcohol and tobacco) would be 27 per cent and not the 40 living to 40 living the 4 per cent and not the 40 per cent suggested before the vote. So far this year, the cost of living has risen 26 per cent.

force.

General Wojciech Jaruzelaki, the party leader, set the tone of the meeting when he said that reforms would not be dropped as a result of the referendum. indeed, as the meeting continued yesterday, it appeared that hardline doubts about Gen Jaruzeiski's cautious political propos-als would not emerge with full

The doubts centre on plans to recognise the private sector as an enduring phenomenon, to explore the possibilities of agree-ment with moderate opposition critics and to strengthen local

Texaco plan may force assets sale Continued from Page 1

plans to appeal against the Texas rulings in the US Supreme Court. ist who played a decisive role in it said it might also file its own re-organisation plan with the the \$3bn figure, will be decisive bankruptcy court. in convincing institutions to vote
The common front between in favour. Mr Icahn controls 12.3

Texaco's directors under intense | Texaco is believed to have pressure to accept the plan. Even if they reject it, the bankruptcy judge has said that the plan can be considered if two-thirds of Texaco's stockholders approve it.

Wall Street believes that Mr

WHITECROFT 34% INCREASE IN PROFIT INTERIM RESULTS TO 30 SEPTEMBER 1987 1987 £2000 Turnover up 22% 65,563 53,942 Pre-tax profits up 34% 4,820 Dividends up 15% 3.45p 3.00p We are maintaining a high level of businesses, none of which is

new investment in our existing significantly affected by recent currency changes. Results to date in the second half are well above last year and we expect this pattern to continue."

Tom Weatherby, Chairman

WHITECROFT plc

Textiles, Building Supplies, Lighting, Property Development, A copy of the Interim Report may be obtained from The Secretary, Whitecroft pic, Water Lane, Wilmslow, Cheshire SK9 5BX.
Telephone: 0625 524677.

Continued from Page 1
Preferential Trading Arrangement, which operates within Asean, will be expanded, lower-Agelora Angleria Angleria Angleria Angleria Bertain Be ing tariffs and increasing the number of goods covered. Japa-nese officials said the terms of the generalised system of preferences would be improved in 14 57 Innshrick
15 57 Innshrick
15 57 Innshrick
10 32 Inshribut
28 12 Juliania
28 15 Juliania
29 67 Illahon
1 34 London
1 34 London
1 34 London April on 40 per cent of the 145 items included in the agreement.

Non-Asean countries will be allowed to take majority stakes in joint venture companies, which, it is hoped, will increase The six leaders agreed at the congress to meet next "in three to five years, if necessary"



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SECTION II - COMPANIES AND MARKETS **FINANCIAL TIMES**

Wednesday December 16 1987



Rumours of bid prompt Nedlloyd suspension

NEDLLOYD, the Dutch transport group, was again the subject of hostile take-over rumours yesterday as share trading was suspended following a sharp rise in the stock price.

price.
The group will make an The group will make an announcement tomorrow, said Mr Peter Knottenbelt, secretary to the board. He declined to comment on persistent rumours that the company is the target of a planned corporate raid.

Trading in the group's shares on the Amsterdam Stock Exchange was suspended at midday by a joint decision of the bourse and Nedloyd after the share price jumped 13 per cent to F1 141.50 (\$77.1) from F1 125 at Monday's

It is the second time in five months that stock deal-ings have been halted due to a precipitous price rise on speculation over a take-

over attempt.
Nedlloyd, based in the port city of Rotterdam, has business which includes ocean shipping, overland transport, airlines and off-shore exploration activities. In recent years it has rap-idly built up its airline and trucking operations through acquisitions of Netherlines, acquisitions of Netherlines, a regional Dutch airline, and Van Gend & Loos, a trucking company. Transavia, its charter airline subsidiary, began regularly scheduled service between Amsterdam and London earlies this man. Her this year.

Bank

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and Julius San Estate

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:5 120 Her this year.
Nedlloyd would be worth about FI 500m at current prices and is considered attractive because of its huge cash-flow per share. A comparatively high book value enhances its appeal.
These attractions are seen as outweighing a subnum in agraines expected.

plunge in earnings expected this year due to the low dol-lar and slamp in worldwide.

USX launches plan to capture share of export markets

USX, the Pittsburgh-based industrial group which is the largest trial group which is the largest US steel producer, said yesterday that it was launching a campaign to capture export markets for steel products opened up by the tumbling dollar and lower production costs.

production costs. The group, which is operating near capacity in several steel product categories because of booming domestic demand, said it hoped eventually to export up to 10 per cent of its production of finished steel products. In a surprise announcement,

USX said yesterday that it would reactivate its export subsidiary, United States Steel International, which was made idle in 1984. Mr Thomas Graham, president of US Steel (USS), the USX steel division, said: "The unit is being reactivated to sell USS products outside the US now that cur-

uct output" in exports. Product Europe and Japan."



Thomas Graham, USS president: taking advantage of lower dollar

outside the US now that currency ratios have become more advantageous for American export activity."

Mr Giuseppe Columbari, a US Steel veteran who will head the revived subsidiary, warned that domestic demand for some product groups was so strong that capacity for export was "very limited."

We're establishing a base if domestic demand subsides," he said. "Over three years, there is no reason not to be approaching to export to expert was unit would initially address no reason not to be approaching developing countries, but he 10 per cent of our finished product output" in exports. Product

Bell & Howell agrees to leveraged BHW buy-out

This announcement appears as a matter of record only

CENTEX CORPORATION

US \$150,000,000 Multiple-Option Facility

National Westminster Bank Group

Lead Managed by National Westminster Bank PLC

Banque Nationale de Paris Deutsche Bank AG, New York Branch Société Générale

The Sanwa Bank, Limited

Co-Menaged by Credit Lyonnais

National Westminster Bank PLC

Facility and Tender Panel Agent

worth \$54 a share is subject to BHW obtaining financing by February 15 1988. The group

The deal appears to end a lively contest for the company, which had put itself on the block in response to ahare purchases by the Bass group, US publisher MacMillan and Mr Robert Maxwell's Maxwell Communication

UK MERCHANT BANKING GROUP CUTS £7M FROM 1987 PROFITS

Market crash hits Guinness Peat

MEXICO's stock exchange regu-lators have taken over adminis-trative control of four stock bro-

kerages in an effort to sort out anomalies that have surfaced in the wake of the markets' col-lapse during October and

GUINNESS PEAT, the UK merchant banking group, yesterday now has a 61 per cent holding. On whas a 61 per cent holding. Before the provision for the making losses incurred since the target of \$20m pre-tax profits to account for market making losses incurred since the target of \$20m pre-tax profits stock markets crash in October, that it originally forecast for the company, which also further wrote off \$23.825m in extraordinary items, is to pull out of the US property market and has provided \$16.5m against shareholders' funds occurred after the end of the extended to \$20m pre-tax profits set about \$5m of 1987 profits associated aircraft leasing company, which contributed \$7.81m in operating profits.

On the provisions relating to the US property market \$30.18m, reduced to \$23.18m.

Further undisclosed provisions for expected losses of \$5m are understood to have been made at the provision of the provision of the provision of \$12m from Forstmann-Fell Associates and \$5.25m from Management profits and \$5.25m from Managemen

and has provided £16.5m against expected losses in this area.

Mr Michael Kerr-Dineen, managing director, said he was pressing ahead to strengthen the company's balance sheet and improve earnings. The group's market-making activities — concentrated in entertainment and leisure stocks — were under review.

Further undisclosed provisions for expected losses of £9m are understood to have been made at Guinness Mahon, the group's merchant bank, to allow for sovereign debt and other had debt. This wiped out the contribution from the bank to the group's overall profits, although total investment banking activities contributed net £6.68m.

Mr Kerr-Dineen are

The extent of the provisions given the chance to clean this had been made possible, he said, company out once and for all because of the takeover of the The reason I'm so confident this company in September by Equitime is that there is no reason to ticorp, the New Zealand finan-hold back at this point, given

Mexico acts to bolster market

DAVID GARDNER in

Mexico City reports

on how stock exchange regulators

have reacted to a crisis in futures trading.

Authorities take control of four stock exchange brokerages

what is a ruthless provision against it. We'll do an orderly realisation of the portfolio and hopefully something will come back."

payments for executives who left after the Equiticorp takeover. Ear These included Mr Alastair More 6.02p ton, former chief executive. Mr Kerr-Dineen said the write-

wards.
The 49-stock index responded

to the CNV package and, perhaps rather more, to Monday's 22 per cent devaluation of the peso, by

jumping 9 per cant to open yet terday at 112,958.

from Forstmann-Fell Associates and \$5.25m from Management Compensation Group have been protected by forward buying at \$1.41 and \$1.56 to the pound.

Contributions from the group

Other extraordinary items include \$1.5m against closure of Guinness Mahon's Singapore insurance broking division rose from \$7.1m to \$7.6m. Mr Kerrbusiness, \$1m on the disposal of a trading subsidiary, and \$4.8m bits areas for the group's expansion of the group insurance broking division rose from \$7.1m to \$7.6m. Mr Kerrbusiness and the group of th

Earnings per share rose from 6.02p to 6.20p, with the full year dividend rising 11.6 per cent to 2.65p per share.

Thyssen unit lifts profits

to DM124m

The financial authorities and the leading brokerage houses all but announced a \$600m "life THYSSEN INDUSTRIE, the engineering arm of West Germany's biggest steel and engineering but announced a south the boat" to deal with the problem but then, after confirming the rescue plan, the Government withdrew, sending the market spiralling even further downconglomerate, raised pre-tax profits by 12 per cent to DM124m (\$76.6m) for the year ended September 1987 against DM111m last year.

Revealing that sales fell 4 per cent to DM5.2bn against DM5.4bn last year, Thyssen Industrie said yesterday it would pay DM50.8m to the parent company against DM44.5m in 1985-86.

Mr Werner Bartels, chief executive, said that despite the more difficult economic circumstances, every division was now profitable for the first time, thanks to a long process of costcutting which was at last bearing

The market had reached the year's low of 95,484 on November 17, down 75 per cent from its 387,000 high on October 5, having risen through the year 750 per cent, making it the top performing bourse in the world. On November 18 it jumped 27 per cent when the Bank of Mexico floated the "free market" peso, which fell sharply, leading There was a further danger of business going abroad if domes-tic production costs continued to almost inevitably to yesterday rise, a familiar current theme in

Gardini sets sights on buying **Enichem**

By David Lane in Milan

MR RAUL GARDINI, the the Italian chemicals group, has declared his wish to acquire Enichem, the state

acquire Enichem, the state chemicals company.

He told a parliamentary commission in Rome that Enichem, a subsidiary of the state hydrocarbons holding corporation RNI, should be privatised.

Mr Gardini was appointed to the Montediagn post ear

to the Montedison post ear-lier this mouth after a protracted struggle for boardroom control.

The merger of Enichem nto Montedison's into Montedison's operations would permit the creation of a national chemicals corporation able to compete against the principal international groups, said Mr Gardini,

He described Enichem as being much weaker in terms of profitability; rationalisa-tion and restructuring at Montedison has allowed it to reach a level of profit-

ability similar to its Euro-pean competitors.
Underlining the case for a Montedison takeover, Mr Gardini said that Montedison was more important than Enichem and had more managerial capacity.
In his remarks, Mr Gar-

dini lent weight to the pro-posal for a takeover of Eni-chem which was made three weeks ago by Mr Giorgio Porta, Montedison's manag-ing director. Mr Porta then emphasised the need for greater internationalisation of Italy's chemicals sector.

The replacement of Mr Mario Schimberni as Montedison's chairman by Mr Gardini was widely thought to be related to the compa-ny's heavy borrowings. Mr Gardini told the com-

mission that Montedlson's borrowings amounted to L 7,800bn (\$6.49bn). He said that cash-flow was such that this figure was not worrying, though it might limit investment.

November. As part of a package of "corrective measures... to safeguard the patrimony of the saving public", the Comision Nacional de Valores (CNV), the Mexican equivalent of the US Securities and Exchange Commission, has also shut down futures trading. It warned that it intends to enforce minimum capital requirements for brokers, several

BELL & HOWELL, the US text book publisher and information services concern which put itself up for sale last month, has agreed to a \$678.4m leveraged buyout by BHW Acquisition, a group led by Mr Robert Bass, the Texas investor, and Bell & How-

ell management.
The definitive agreement,

said it had firm commitments for \$200m.

Corporation (MCC), Bell & Howell had revenues and net income of \$853m and \$32.9m respectively last year. Of 250 complaints from the public being examined by the equivalent of the Securities and Exchange Commis-sion, 26 are being taken to trial. "Insane activities" by brokers are being investi-

entorce minimum capital requirements for brokers, several of which have been fined for a variety of irregularities.

In the four brokerages taken over, the CNV says cryptically, elements were found which led to the conclusion that upless trial centres of Monterrey and Guadalaira, where futures trad-ing reached its most feverish in the run up to the crash. At the beginning of last month, stock market analysts to the conclusion that unless they were administratively supervised their operating struc-ture could be weakened. The four, Abaco, Afin, Arka, and Finsa, centred much of their activity on the two indus-

say, there were some \$500m in leveraged stock purchases unset-tled with the brokerage industry

German manufacturing industry.

These Notes having been sold.

ouncement appears as a matter of record only.

December, 1987



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Swiss Bank Corporation International Limited

Westdeutsche Landesbank Girozentrale

International Westminster Bank PLC

December 1987

INTERNATIONAL COMPANIES & FINANCE

Karen Fossli interviews the Norwegian group's newly-appointed chief executive

Statoil faces more changes at the top

STATOIL, Norway's troubled state oil company, faces some profound changes to its organisa-tional structure if Mr Jan Erik Langangen, the newly-appointed chairman, has his way.

Statol late last month following a big management shake-up which resulted from disclosures of a massive NKr6.4bn (\$849m) cost over-run on a refinery and terminal project at Mongstad, on the west coast of Norway.

His appointment at the age of 37 raised a number of eyebrows, not least because he remains a full-time president of Storebrand, Norway's largest insur-

However, Mr Langangen has settled quickly into his new chair. We are looking at the various options and have to decide a new structure for the company. Once we've completed that work, and our suggestions are accepted by the politicians, we will have to concentrate our efforts on completing the Mongstad proj-

possible restructuring of Statoll, I personally think that the company has now completed its build-up phase.

Statoil is no longer a new-comer and it might take some

changes within the organisation Mr Langangen took over at tatoil late last month following operations which it has experible management shake-up enced. The structure of the company will have to be looked at in order to identify which operations are the profit cen-

> Mr Langangen, widely described as dynamic, is not likely to pull any punches when he completes his examination of Statoil.

When he took over at Store-brand in 1983, he entered the ailing insurance company like a hurricane, ripping out the weak links in its organisational struc-

By 1985, when he took over the presidency at Storebrand, the company's top six managers quickly departed. Storebrand then went on to



Jan Erik Langangen: not likely to pull punches

ect, he says.

"It's a good climate for implementing changes and, although the board has yet to discuss a resulted in the departure of the says.

Storebrand then went on to man gers have left Storebrand then went on to man gers have left Storebrand then went on to man gers have left Storebrand then went on to man gers have left Storebrand then went on to man gers have left Storebrand then went on to man gers have left Storebrand then went on to man gers have left Storebrand then went on to man gers have left Storebrand then went on to man gers have left Storebrand then went on to man gers have left Storebrand then went on to man gers have left Storebrand then went on to man gers have left Storebrand then went on to man gers have left Storebrand then went on to man gers have left Storebrand since Mr Langangen's arrival.

There will be a political process

ence to view Statoll from the inside, when I worked there during the period 1975 through 1983, and I've also had the bene-fit of viewing it from the outside. "I believe that what was right for the organisational structure of Statoil during its developing phase may not be right for its structure in the future. We will

Should go more international. Of be, "he says.

Course, there are pros and cons in international expansion. But the business world is becoming jobs will be to appoint a succession as a large national company, going president. He says it would go more international. Of be, "he says.

One of Mr Langangen's first the business world is becoming jobs will be to appoint a succession as a large national company, going president. He says it would operating more or less within be an advantage if the new presing managers have left Storebrand since Mr Langangen's arrival.

Mr Langangen acknowledges

Skandia aiming to tap

insurance broker deals

SKANDIA, the leading Swedish Skandia, said the group wanted

that he may not be able to implement such speedy changes at Statoil, which is state-owned.

Statoil, which is state-owned. tional market as our playground. The pace at which we undertake this challenge is not that imporinvolved which could prove to

be insuperable, he says.

"I've had the fortunate experi
"I've had toil becomes more international."

Should Mr Langangen and his board seek major organisational changes within Statoil, a formal proposal to the Storting (Norwegian parliament) will have to be tabled and, more importantly, a political consensus will have to be reached. be reached

structure in the set-up whave to examine the set-up we see if it's still appropriate."

Mr Langangen also has definite views on Statoil's international in have no conclusions on the expansion, and the pace at which that has been taking which that has been taking through in order to see if this is one of the options and, if so, what the consequences would be." he says.

Nokia buys **SEL** audio and video operations

By Off Virtamen in Helsinki

NOKIA, the diversified Finnish electronics group, yesterday agreed to buy the audio and video activities of Standard Elektrik Lorenz (SEL), the West German subsidiary of CGE-Alcatel of France.

No price tag was put on the deal, which brings in business both inside and outside Germany. The operations lost money last year and will bring in about DM1.6bn (\$981m) of sales for 1987.

for 1987.
Under the agreement, SEL's annual production of 1.2m colour television sets and 1.7m tubes, as well as 350,000 video recorders, will be transferred to Nokia. The acquisition will raise Nokia's annual production of TV sets to 2.5m and boost its European market share by more than 14 per cent.

per cent.
According to Mr Karl
Kairamo, Nokia's chairman,
the acquisition opens effective distribution channels
for Nokia's entire consumer
electronics business. As a
result, Nokia now stands a
better chance to respond to
competition from outside
Europe. SKANDIA, the leading Swedish Skandia, said the group wanted insurance group, said yesterday to be ready for the competition.

At present, most Swedish insurance policies are sold directly to customers. However, many international insurance brokers.

The group expects to see a growth in the number of insurance brokers have representatives in Sweden when regulations covering their activities come into will be sold through brokers.

The new company, which will

Europe.

Explaining the disposal, Mr Helmut Lohr, chairman of SEL, said the division was too big to be a niche producer and too small to counter increased international competition. Without the sell-off, SEL could have been faced with heavy redundancies.

Nokia has grown rapidly in recent years to become Europe's third biggest television manufacturer: In 1983 it bought Salora of Finland and Lexor, the

Finland and Lexor, the Swedish producer. Last year Nokia's TV side recorded net sales of FM2.1bn (\$523.6m).

This year Nokia acquired Oceanic, the French TV maker, from Electrohux of Sweden, adding another FM600m in ast sales.

After the SEL deal, Nokia's consumer electronics operations will have sales of about PM7.5bn.

The takenover means that consumer electronics will account for 60 per cent of Nokia sales. Group turnover totalled FM12bn last year.

CREDIT AGRICOLE SOCIETE LYONNAISE DE BANQUE become shareholders of the

EDMOND RICHARD stockbrokerage in Lyons

HEY will each have a 15% stake in the second largest brokerage firm in Lyons, which is developing into asset management and corporate finance. Their investment will enable the securities firm into which the stockbrokerage will be converted to expand its

SOCIETE LYONNAISE DE BANQUE is particularly interested in the growth of the Lyons Stock Exchange, on which it has handled over half of the Second Market listings.

CREDIT AGRICOLE, France's largest mutual fund and unit trust manager, is an active operator on the Lyons and other regional exchanges through the UNI-REGIONS mutual fund.

The investment is subject to approval by the authorizant ment of the Stock Exchange Reform Bill.

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Order fall hits Maho workers

facing a directifulation.

In its financial year ended June, Maho raised net profits from DM11.8m to DM12.2m on turnover of DM365m, against

DM339m.
Profits were burdened by
DM7m of costs associated with

Benkers Trust Company, London

Agest Back

Linfin Corporation

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Collateralized Floating Rate

Notes due 2001

For the period 14th December, 1987 to 14th June, 1988 the nores will carry an interest rate of 84% per synum with an interest amount of U.S. \$2,096.88 per U.S. \$50,000 nominal. The relevant interest payment date will be 14th June, 1988.

Listed on the Luxembourg Stock Exchange

MAHO, the West German machine tool company which came to the stock market a year ago, is putting workers on short-time early next year after a sharp drop in new orders.

With the order backlog down to DM60m (\$37m) against DM18.2m.

Mr Babel, whose family owns the economy since the start of the economy since the economy since the start of the economy since the economy since the economy since the start of the economy since the start of the economy since the start of the economy since t

be necessary.

However, Maho is continuing industry are feeling the effects of to invest heavily, with some DM40m of capital spending planned for 1987-88, after strength of the D-Mark.

VESTLANDSBANKEN US\$5,000,000 Subordinated Floating Rate Notes

For the abx months, 17 December 1987 to 17 June 1988 the interest rate has been fixed at 8-625% per armum, interest payable on 17 June 1968 will be US\$21,921-88 per note of US\$500,000 denomination.

Due 1992

Christiania Bank

effect, probably next year.

The regulations will give international brokerage companies the opportunity to conduct business in Sweden. Mr Leif Victorin, deputy managing director of sweden with the conduct business in Sweden and the conduct business in Sweden and the conduct business in Sweden and the covernment gives its approval. Baer sees higher net earnings

BY JOHN WYCKS IN ZURICH

ance brokers operating in Sweden when regulations cover-ing their activities come into effect, probably next year.

BANK JULIUS BAER, the Swiss bank, expects a "double-digit" depreciation are forecast to go up by another 10 per cent. While it is this year which, according to the strike year which, according to up by another 10 per cent. While it is felt that commission income could fall slightly, prospects are would permit payment of a seen as good for foreign exchange and precious metals trading and interest income. As a result of the strome. As a result of the strome. As a result of the strome. The bank expects a further rise in earnings for 1988.

J.P.Morgan Securities Asia Ltd. has started operations in Japan

For years J.P. Morgan's capital markets subsidiary, Morgan Guaranty Ltd, has had a representative office in Tokyo. Now Morgan has a fully licensed securities branch there: J.P. Morgan Securities Asia Ltd.

The name J.P. Morgan Securities Asia signifies affiliation with J.P. Morgan & Co. Incorporated, the global firm that has provided Japanese clients with high-quality financial services for more than 90 years.

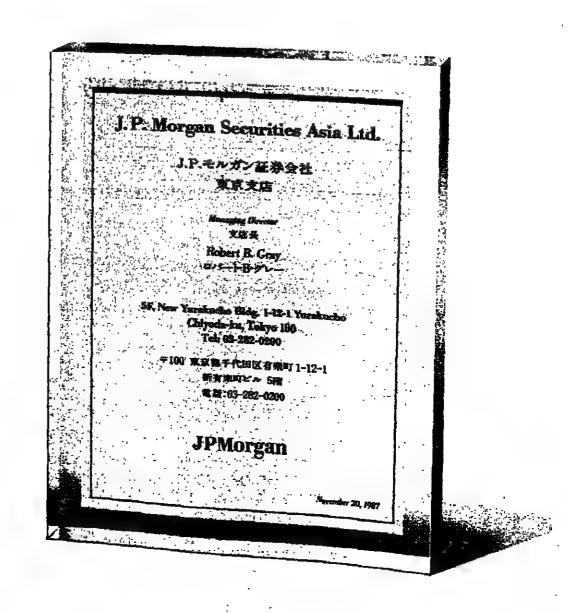
But if the new name reflects the past, it also says something about the future. It tells Morgan clients that we can assist them in important new ways with their most complex financial plans.

Now J.P. Morgan can engage in

the brokerage, underwriting, trading, and distribution of a full range of securities in Japan. These new capabilities build on our long-time strengths in corporate finance, investment banking, currency and interest-rate swaps, and real estate investment.

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REGIONAL DEVELOPMENT

The Financial Times proposes to publish this Survey on

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FINANCIAL TIMES EUROPE'S BUSINESS BEWSPAPER

Futures losses at Wardley Thomson

WARDLEY THOMSON, one of Hong Kong's leading futures brokers, which is a joint venture between Wardley, the Hongkong Bank subsidiary, and Thomson McKinnon of the US, lost at least HK\$90m (US\$11.6m) following the near-collapse of the local futures exchange in October.

Mr John Mansfield, chief executive of Wardley Thomson, said the losses were due to the failure of a number of clients to meet margin calls on Hang Seng WARDLEY THOMSON, one

gin calls on Hang Seng Index futures contracts in the wake of the Hong Kong stock market crash follow

stock market crash follow-ing a controversial four-day closure after Black Monday on October 19.

Hong Kong's stock market was worse hit than any other major market world-wide in the wake of Black Monday. Between the mar-hat's coming on October 19 Monday. Between the mar-het's opening on October 19 and the resumption of trad-ing on the following Mon-day, the Hang Seng Index fell by 41 per cent, from 3,783 to 2,242. Over 43 per cent was wiped off the mar-het capitalisation.

The decision to suspend trading on both the stock market and futures market was in part linked to fears over the consequences of the almost-certain bankrupting of the Fatures Brehange Guarantee Corpo-ration if trading had been

allowed to continue.
In the week of closure, an emergency rescue package was arranged by banks, stockbrokers and the Hong Kong Government, which provided a total of HE\$4bn to meet the liabilities of futures traders. In the end, HK\$1.8bn was needed to settle outstanding margin

Worst-hit after the craswere local private inves-tors, who had been specu-lating heavily in Hang Seng Index futures contracts, many of them without adequate margin cover. Most international institutions had used the exchange to hedge investments on the stock market and so were mainly "short" sellers who stood to lose only if local speculators failed to settle outstanding futures

Perhaps worst hit of these was Mr Robert Ng, whose family heads Sino-Land, the property group, and who controls futures trading companies with outstanding liabilities put at HK\$900m. In this context, Wardley-Thomson's losses are mod-est, but Mr Mansfield conceded this week that they

transformed what should have been "an extremely good year" into a less profitable one.

Mitsubishi group ahead

MITSUBISBI CORPORA-TION, Japan's largest trad-Tion, Japan's largest trading company, increased group met earnings by 7.2 per cent in the half year to September to Y16.045bn (\$125m), or Y10.31 a share, from Y14.968bm, or Y10.30 a share, a year earlier. Sales rose by 3.1 per cent to Y6,377bm.

The company attributed the rise to increased trading profits and lower interest costs. It said the income gain was encouraging, pur-

gain was encouraging par-ticularly as profits from securities transactions fell to Y6.418bu from Y19.071bn. The sales rise was credited to a gradual recovery is oil prices, an opturn in domestic demand for con-struction materials and

steady growth in

Pressure thrown back on North Broken Hill

Acquisitive Pracisions was thrown back on North Broken Hill Holdings yesterday, following the big mining company's surprise A\$580m (US\$417m) bid for diversified colleague Peko-

More than 14m North shares were booked in Sydney and Mel-bourne, with the price rising from A\$2.78 to A\$3 at one stage, from A\$2.78 to A\$3 at one stage, before closing at A\$2.80. And Peko-Wallsend issued a strongly-worded statement claiming North's offer 'did not appear to be in keeping with earlier discussions on a possible merger between the two companies."

Most of the North shares were

ACQUISITIVE PRESSURE was apparently booked in London, hrown back on North Broken with Ord Minnett and lill Holdings yesterday, follow-ing the big mining company's kers which were active in North kers which were active in North shares last week, leading the pack. This has inevitably led to speculation that Peko was yesterday's buyer of North and raises the possibility of a share-buying duel between the two companies.

companies.

North decided to bid on Monday after seeing more than 5 per cent of its capital purchased in the previous week. North was seen to be treating the purchases as a raid by Peko, which could be nearing the 10 per cent disclosure threshhold in North if it has been as active as rumoured.

Ironically, by pushing the North share price up from A\$2.50 last week, the value of the company's Peko bid of two North shares plus A\$1 cash has been lifted to nearly A\$7 a Peko share, or A\$680m.

Peko shares responded in kind yesterday, jumping from A\$5.24 to A\$7 each, but on thin turnover, revealing no evidence that North was in the market for its scrip. With the two compenies now clearly jockeying for strategic positions, Peko directors said the North bid did not "give adequate recognition to the profit contribution of Peko nor the value of its underlying business."

UBS Holdings acquires one-sixth stake in Cusaf

UBS HOLDINGS, the South African financial services group, is to acquire one-sixth of Cusaf (Commercial Union Assurance of South Africa), Commercial Africa's fourth largest banking Union's 45 per cent-owned South African associate.

Cusaf is to increase its share capital by 20 per cent and issue 2m new shares to UBS for R38m (\$19.6m). The transaction does 10 cent-owned South African lift and escalator subsidiary of ment by Cusaf's British parent, United Technologies, has again

Cusaf is to increase its share capital by 20 per cent and issue 2m new shares to UBS for R38m (\$19.6m). The transaction does not in itself represent a divestment by Cusaf's British parent, although its interest in the enlarged company will drop to 37.5 per cent.

Minority shareholders will be given the option of sequiring breaks which allowed Otis to offadditional shares equivalent to 25 per cent of their existing share payments on long-term

additional shares equivalent to set future expenses against 25 per cent of their existing shareholdings at R19 each from UBS and/or Gold Fields of South Africa, which has 30 per cent of Cusaf's pre-expansion equity. Cusaf, along with other Cusaf, along with other short-term insurers, has suffered from strong competition. In earnings.

Turnover rose to R63.4m in the fincome was R167m and the vear to November 30. from

income was R167m and the underwriting deficit R2.7m. Premium rates have increased but they have been offset by soaring car theft and burglary losses.

UBS has expanded rapidly in Turnove rose to Ros.4m in the income was R16.7m and the year to November 30, from the pre-tax profit rose slightly to R14.4m, from R14.2m. The year's earnings were 43.2 cents a share, against 42.2 cents a year before.

Ramcorp buys 4.9% of **Telecasters**

By Our Sydney Comes

ANOTHER round of restructure ing in the Australian media industry may have begun, with newcomer Ramcorp spending just over A\$3.2m (US\$2.3m) for a 4.9 per cent stake in Telecasters North Queensland, which oper-ates TV stations in the Queen-sland cities of Townsville and Caiww

age for Ramcorp because Mr Alan Bond's Bond Media has a 19.9 per cent stake in Telecasters ernment media laws. Bond, which operates TV stations in Sydney, Melbourne, Brisbane and Perth, could breach the national audience limit of 60 per cent if it does not sell one or

more of its interests.

Mr Allan Hoy, a Ramcorp director, said the move was strategic, especially since his com-pany already controlled six rural TV stations in New South Wales. "Ramcorp has no immediate plans for the stake, but Telecast ers is an interesting area and something may develop in the long term," he said.

This announcement appears as a matter of record only.

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The Monthly Magazine for Discerning Investors

B&C loan stock bucks the trend

*RESUSCITATING the dinosaur, stock market crash. was how one person described it," said Mr Tom Quinn, director Launch of a \$100m, 25-year unsecured loan stock issue for British match inherent in financing & Commonwealth, the financial long-term assets with a services group, on Monday

& Commonwealth, the finance of the commonwealth of the common unsecured loan stock for a Brit-ish company was a bond for Tesco, the food retailer, launched

in June 1986. Indeed, except for banks, which have used them to raise capital, unsecured loan stocks have never been in vogue among British companies. In recent years the equity market has presented an attractive alterna-tive source of long-term funds.

lasue caused such surprise in the achieved market on Monday was that tribution. many market specialists were still thinking in terms of the UK corporate treasurer's traditional rate ceiling on long-term funds of 10 per cent. B&C's bond bore a yield to maturity of 11.5 per

MR ROBERT HOLMES A COURT, the ambitious Austra-lian entrepreneur who was hard hit by the October 19 stock mar-

ket plunge, has paid A\$38.4m (US\$27.6m) for Sellars Holdings, a concrete and quarrying con-

Mr Holmes a Court's Bell

Mr Holmes a Court's Bell Group has been seiling investments since the October stockmarket crash and so far has raised about A\$1.9bn. He said earlier this month in Perth that Bell Group would soon begin buying new assets, sithough the acquisition programme would be much gentler than heretofore.

Many analysts have been expecting Bell Group to acquire

expecting Bell Group to acquire a company with aubstantial cash-flow, and Sellars is the first takeover made since the market

Bell buys big concrete

and quarry operator

UK companies - many of which are relatively undergeared

Eurosterling bonds instead, of course. This has been the route taken by companies such as ICI and Trafalgar House over the last 18 months when they discovered they could issue 17 to 20-year bonds at rates around or below 10 per cent.

Roundabout route

presented an attractive alternative source of long-term funds.

And corporate treasurers have traditionally been reluctant to lock into high sterling interest and insurance companies anyway, since most of the long-term way, since most of the long-term funds and insurance companies anyway, since most of the long-term funds are caused such surprise in the achieved little international distribution.

Given the expectation of low government funding require-ments in the future, creating a void into which other borrowers could jump, it could all add up to a bright future for the unsecured loan stock market.

But people like Mr Quinn now But dealers said yesterday see the market for unsecured there was one problem with this loan stocks entering an entirely theory: the performance of the new era, as a direct result of the B&C issue itself. A number of

products and pre-mixed con-crete. It holds about 14 per cent of the Queensland market and is also represented in areas of northern New South Wales.

Bell Group earlier this year

acquired Waugh & Josephson Holdings, a New South Wales

distributor of Caterpillar heavy

The acquisition of Sellars Holdings, by Bell Basic Indus-tries from Kern Corporation, an

investment and property com-pany, is seen as a further strengthening of Bell's industrial base in the eastern states.

Mr Holmes a Court's disposals so far include holdings in Sears, the British retail chain, Texaco, the US oil company, Eroken Hill Proprietary, Pioneer Concrete

and Ampol

Sellars is the largest concrete and quarry operator in Queen-sland and specialises in quarry Fairfax group

while one went so far as to besis points, reflecting the exper-remark: "It was the wrong name tation of switches. The differen-

at the wrong time."

The problem may be that the instance, widened out from 110 basis points over on Priday to to accustom investors to unsecured bonds has made them particularly choosy about the kind of credits they favour. Further, it was particularly unfortunate Rumours had been circulating that the unsecured loan stock that another issue was about to market should have been emerge this week. But some dealreopened at a time when there is ers said the performance of a general flight to quality or else B&C's issue may make this less

Bad timing

the longer term.

However, the best known com-panies are likely still to prefer the longer-dated Eurosterling market, on the grounds that issuing procedures are easier and quicker and the UK institutions

have less say over the terms on which international bonds are

issued. Call provisions, for instance, are not acceptable in the domestic market.

But if the timing of the bond — when weakness in the gilt mar-ket has been exacerbated by nor-The ideal issue with which to brighten up the domestic bond market, one dealer pointed out, would have been a secured bond for one of the breweries, whose bonds have traditionally been welcomed in the market. mal year-end problems — was bad, that does not mean that there cannot be a revival in the unsecured loan stock market in

welcomed in the market.

Deslers were at a loss to find any bonds with which to compare B&C's issue. The benchmark corporate issue was issued way back in January 1984 by British American Tobacco, but neither this nor the clearing banks, issues apprehense. banks' issues provided a very exact comparison with a company that has changed so rapidly as B&C has. Launched at a yield differen-

Launched at a yield differential over the reference gilt-edged atock of 1.75 per cent, B&C's issue was changing hands at a margin as wide as 1.87 per cent bothered B&C, a commitment to yesterday.

Not that it had been thought rates over a 25-year period could tightly priced. As soon as the bond issue appeared, one dealer

NET PROFITS at Dead Sea growth.

Stable first-half profits

Shachar was the steepest in 30 month incread. Mr Shachar sub years, rising input costs had also adversely affected profits intends to leave the company.

for Dead Sea Works

Banque **Paribas** brings two issues

BANQUE PARIBAS Capital Markets brought two issues to the international bond market yesterday, bringing insinuations—denied by the firm—that it was motivated by a desire to ensure a position in the Top 10 of Eurobond lead managers for 1987.

In dollars, the firm repackaged Italian Treasury certificates to create a \$300m issue of floating-rate notes under the name of Ferari III. The par-priced notes carry a margin of % point over three-month London interbank offered rates. There is a serial redemption of the notes starting redemption of the notes starting in May 1993, with a maturity of

INTERNATIONAL BONDS

February 1994 for the final 35 tightly priced and unlikely to sell quickly, the lead manager said the yield compared favoura-bly with existing floating-rates notes for italy, carrying a margin, of three basis points below Libori in the secondary market Parker in the secondary market. Paribas said it was bidding the notes at 99.90, a discount equivalent to

18930, a discount equivalent to fees.

The other issue was in D-Marks, where Paribas offered DM150m of six-year paper of Thomsom-Brandt International, the big French electronics company, with a coupon of 6% per cent at a price of 100%. The offering is the bank's first in Th-Marks.

D-Marks.
It had obtained the bonds by exercising warrants attached to a issue of 8 per cent seven-year dollar bonds it lead-managed in February of this year.

This offering was also regarded in some quarters as tight, although the timing of the bond, so close to Christmas, cannot have helped its reception. Market quotations for the issue seemed to show a wide divergence. The lead manager was quoting the bonds at a discount of 1% hid, well within the 2% per cent fees, although outside indications sug-gested the issue had not fared so

NET PROFITS at Dead Sea Works, Israel's largest natural resources concern, have that earnings would pick up in the second half. During the past six months to September at US\$20m compared with the second half. During the past six months to September at US\$20m compared with the second half. During the past six months to September at US\$20m compared with the second half. During the past sew months alone potash prices of 12 per cent.

Mr Shachar said the Works, a subsidiary of the state-owned israel Chemicals, had increased its sales - virtually all overses its sales - virtually all overses in the first half - by just over 4 results to be an achievement, given the sharp reduction in the pany's first trial exports to India this year had proven disappointing world price of potash, the company's main product.

New regulations lowering corporate taxes, he said, partly explained why the company's net profits had remained steady. As leading candidate to take explained why the company's net profits had remained steady. Haim Eres, a close friend of Mr Ariel Sharon, the country's contrast, were down 28 per cant.

Aside from the fall in world potash, which according to Mr and Trade, was amonited last. In the D-Mark secondary bond market, prices stabilised in continued quiet trading after a drop on Monday. Longer-dated domes-tic bonds gained up to 20 basis points in price, although some shorter-dated issues eased slightly. In the D-Mark Eurobond mar-

ket, longer-dated issues gained between 10 and 20 basis points while shorter-dated bonds closed generally unchanged.

However, a recent DM200m 6 per cent six-year issue for Mount Isa Finance was quoted at bid prices ranging between less 3 and less 3%, down from around less 2½ yesterday. Eurodollar bonds once again

saw very thin trading between professionals, although some dealers said that the volume of business transacted with retail investors was fairly encouraging given the time of year.

Prices were marked higher in sympathy with the US Treasury sympatry with the US Treasury bond market and yield differen-tials over US Government bonds tightened slightly. In the 10-year area, Eurodollar bonds posted price rises of up to 12 percentage

remained in reasonable demand from investors who are enthusiastic about the prospects for fur-ther yen appreciation but wary of extending maturities in the yen bond market.

yen bond market.

Bonds for sovereign issuers, such as a 5% per cent five-year issue for Italy, were attracting the most interest. But dealers said there were also some size-able orders from clients for higher-couponed corporate bonds, such as a 5% per cent issue for General Electric, due in 1993.

In 1988.

The relatively firm tone in the Swiss franc foreign bond market continued yesterday, with prices closing about & percentage point to the programme of the percentage of the percentage

closing about & percentage point higher reflecting short-covering ahead of the year-end.

A SFr100m 5 per cent 10-year issue for the City of Yokohama rose by 1% points in price to trade at 103%, compared with a 100% issue price. A SFr400m bond for the Province of Alberta gained % point to trade at 102, against a 100% issue price.

price.

Kredietbank (Suisse)
announced a SFr50m five-year
bond for Hovedstadsregionens
Naturgas, the Danish regional
gas company. The 4½ per cent
bond is priced at 100%.

The Council of Reporting

The Council of Reporting Dealers, the sub-committee of the Association of International Bond Dealers responsible for secondary market making, has said dealers may cease making prices to each other between December 18 and January 4.

This is the first time the market has been officially closed over the Christmas break, although dealers have tradition.

although dealers have traditionally closed down operations during this period.

Mannesman to lift spending

By Our Financial Staff

MANNESMAN, the West Germa industrial company, plans to increase its capital investment by 11 per cent to DM784m (\$481m) in 1988. The company said it will invest DM575m in Germany next year and the remaining DM209m

Boston Bank writes off \$200m Third World debt

BOSTON BANK, the 15th largest US bank in terms of assets and the biggest regional banking group outside the money centres of New York, Chicago and California, has written off \$200m of dets does not yet involve the legal cancellation of the debtors the non-accruing loans in its chligations it seems to be a grain of the legal cancellation.

The move, which implies that Bank of Boston has given up hope of repayment on this pro-portion of its portfolio, goes far beyond the mere additions to loan loss reserves made by all the major US banks last spring.

The Bank of Boston initiative, which was announced late on Monday night, could mark the start of an important new stage in the unravelling of the Third World debt problem, with US banks accepting a gradual diminution of their claims on the developing countries. leveloping countries.

Despite the reserve strengthen-ing actions taken by leading US

It will, however, reduce the ank's primary capital ratio, which will decline to 8 per cent by the end of this year. This capital ratio remains well above regulatory requirements and is high by industry standards.

In addition to removing \$200m

In addition to removing \$2,00m of im developed country (LDC) debts from its balance sheet altogether, Bank of Boston has decided to add a further \$200m had previously written off their losses and to stop including in its losses to major debtors such as income any of the interest which Brazil, Mexico and Argentina, it continues to receive on non-

while Bank of Boston's decision to write off some of the debts does not yet involve the legal cancellation of the debtors' obligations, it seems to be a major step in that direction. Because Bank of Boston had already established reserves of already established reserves of \$430m against possible loan losses in the Third World, the \$200m write-off will not in itself against 63 per cent of its LICC exposure. It will have increased the mon-accruing loans in its obligations, it seems to be a major step in that direction. Because Bank of Boston had already established reserves of the mon-accruing loans in its object to continue to collect on these loans to increase its reserves against possible loan affect its profits.

The \$200m in write-offs imply that Bank of Boston could now forgive 20 per cent of its LDC debts without any further effect on its balance sheet. The strengthened loan loss reserves mean that even forgiving 63 per cent of its Third World loans would not eat into its profits after the current quarter.

Mr Ira Stepanian, the bank's president, said that Bank of Boston would post a net loss for the fourth quarter, but that it should be modestly profitable for the year as a whole.

E2* rating

Permanent

EURORATINGS, the Londonbased ratings agency, yesterday assigned to the Leeds Permanent the lowest credit rating it has yet awarded to a British building

it essigned an E2* rating to the Leeds Permanent's short-term deposits and an A minus' rating to its long-term deposits. The asterisks signify that the society did not request the ratings.

The Leeds Permanent's lower

Britisk

for Leeds

Five-year finance for **Bowater Industries**

BOWATER INDUSTRIES, the franc drawings of 10 basis diversified UK packaging con-cern, is raising \$150m through a five-year financing being arranged by Barclays de Zoete

The financing, in the form of a The financing, in the form of a multi-option facility, includes a committed standby credit, which will carry a maximum margin of 10 besis points and a utilisation fee of 25 besis points if more than half drawn. There is an underwriting fee of 6 basis points for the so-called available points for the so-called available portion of the financing and portion of the financing and 4 is points for the unavailable. diversified French group whose interests include water and waste management, is raising FFr1.25bn through a multi-option facility. Credit Lyonnais is arranging the facility with Banque Indosuer as co-arranger.

It has a five-year maturity, extendible to seven years, and carries a 5 basis point facility fee. There is a margin on French

points, while Eurocurrency drawings pay Libor flat. Shotton Paper, a subsidiary of United Paper Mills of Finland, mandated Samuel Montagu to arrange and Kansallis Banking group to lead-manage a machin-ery financing. The financing includes a \$50m syndicated facil-ity, which will be incorporated with a \$120m loan and guaran-tee facility arranged in 1984. Elsewhere, Grand Metropoli-tes signed a \$1bm multi-option financing with a group of 27

financing with a group of 27 banks led by National Westmin-ster. The financing, doubled from the original target, is thought to be the largest multioption facility yet arranged.

The first issue of sterling-de me his issue of stering-de-nominated medium-term notes was placed on behalf of Com-mercial Union under its Ecu500mmulti-currency note programme. BZW, which placed the notes, said they carried a two-year maturity.

ratings reflected the "higher degree of vulnerability ... to adverse economic developments." Its capital levels were lower than for many competitors and trends of profitability had been uncertain over recent

EuroRatings has assigned higher El* and A plus* ratings for the National and Provincial Building Society.

FT INTERNATIONAL BOND SERVICE

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Great Portland Estates, the manufacturing to offices, with redevelopment bringing large increases in rents. property company, was the terget of a \$60m "dawn raid" yesterday morning, but takeover fever swiftly cooled when it became clear that the buyer was a UK institutional investor intent on leaving its interest at the new level of 14.9 per cent.

In manufacturing, to offices, with redevelopment bringing large increases in rents.

Mr Richard Peskin, chairman and managing director, has steered the company onto a more active course since succeeding its founder, Mr Basil Samuel, early in 1986. This year Great Portland took a 50 per cent stake in Bride

Warburg Securities swooped to warourg securities swooped to buy 19m shares, about 12.5 per-cent of the total, at 319p, against the close of 268p on Monday. The shares fell back to finish at 306p, a 38p rise on the day, giv-ing the company a market capi-talisation of \$496m.

Neither the company nor War-burg would reveal the identity of the raider. The institution con-tacted Great Portland after the raid, however, and satisfied the company of its benign, long-term intentions. It will not seek a seat on the board

lanen

C An Era man manager of the floor of the flo

A PARTIES.

British Land, the property company headed by Mr John Rit-blat, yesterday announced interim pre-tax profits of \$23.5m, double the \$11.7m made

in the same period last year.

The figures were ahead of market expectations and this, coupled with yesterday morning's institutional dawn raid on the shares of another property company, Great Portland Estates, helped the shares move ahead to close at 255p, up 12p on

Estates, helped the shares move ahead to close at 255p, up 12p on the day.

Net rental income totalled £17.8m (£13.7m), profits from industrial activities were £700.000 (£2m), and profits from property sales jumped to £12.3m (£5.1m), while securities dealing, dividends and sundry income totalled £700.000 (£2.9m).

Over the past year the company has greatly reshaped its portfolio and this is reflected in the interim figures. Last December it bought the half of the Enston Centre in London which it did not already own, and profits from this now count under restal income inther than dividends.

It has also made numerous, from the more distressed of its brethren. And although its properties are heavily concentrated in London, the portfolio has been broadened over recent years to reduce dependence on the City's Plantation House. (There, despite the recent acquisitions from the more distressed of its brethren. And although its properties are heavily concentrated in London, the portfolio has been broadened over recent years to reduce dependence on the City's Plantation House. (There, despite the recent acquisitions from the more distressed of its brethren. And although its properties are heavily concentrated in London, the portfolio has been broadened over recent years to reduce dependence on the City's Plantation House. (There, despite the recent acquisitions from the more distressed of its brethren. And although its properties are heavily concentrated in London, the portfolio has been broadened over recent years to reduce dependence on the City's Plantation House. (There, despite the recent acquisition of religible to the control of the Enstant in the interim figures. Last December is not likely before the early 1990a, by which time Black Monday should be distant history). Helped by a good reversionery flow, full year profits could reach £45m, though a rising tax charge will probably cut for five could reach £45m, though a rising tax charge will probably cut for five could reach £45m, though a rising tax charge will

The impact of the sales is reflected in the interest charge, which drops from £12m to £8m. Tax accounted for £7.6m (£2.2m), leaving earnings per share of 7.3p (£.8p). The interim

took a 50 per cent stake in Bride Hall Developments, a property trading company with a diversified portfolio.

Although the company has been a perennial takeover candidate, yesterday's raid surprised

property analysis who questioned why the investor had not pounced more quickly after the October market crash.

the raider. The institution contacted Great Portland after the raid, however, and satisfied the company of its benign, long-term intentions. It will not seek a seat on the board.

Great Portland's property portion is particularly strong in London's West End and in the area north of Oxford Street, around the street from which it

around the street from which it takes its name.

The district is changing from light industry, largely garment on November 20.

British Land exceeds expectations with £23m

BY MARTIN DICKBON

Mr Ritblat said yesterday that
ample liquid resources have
been increased by asset sales,
with net indebtedness down to
£175m at the end of November.

dividend rises 15 per cent to

Richards profits up

turer, raised pre-tax profits from £728,000 to £1.3m for the year to

e comment

able. "I have been promised very substantial backing for any ventures I undertake. I shall help Broad Street do Broad Street joined the USM in August last year via the reverse takeover of Sta-nelco, Since then it has British Land gets full marks for perceptive timing: the increased liquidity produced by the restructuring of its portfolio earlier this year have left it very well placed to cope with life after the Great Crash. With gearing in the low 30s (excluding investments, which would drop the total to the low 20s) it has plenty of scope for acquisitions from the more distressed of its made a number of small acquisitions — including that of Financial Dynamics, a rival PR firm — and

Gulliver

acquires

Broad St.

10% of

a rival PR firm - and announced pre-tax profits of \$281,000 in the six mouths to April 1987, on turnover of \$4.02m.

During his long business career, Mr Gulliver built up the Fine Fare supermarket group and Argyll. He descibed himself "as perhaps the pioneer in the field of advertising for food retailers" due to his involvement with Fine Fare, and pointed out that the last agency he backed was Saatchi and Sastchi.

mean large acquisitions where his wealth of contacts within Scottish institutions would be invalu-

day and closed up lip at 68p. Mr Gulliver bought

68p. Mr Gulliver bought
3.25m shares at 38p, and
has options to buy a further
8m new shares at between
80p and 120p.
Broad Street alsoannounced the acquisition
of Markham, a marketing
and fund raising consultancy, for a maximum totalconsideration of \$4m in
shares. a 725,000 to \$1.5m for the year to end September. Earnings worked through at 7.97p (4.26p). There was exceptional expenditure of £160,000 (nil). The final dividend is increased from 1.3p to 1.9p, making a total of 2.6p (1.9p) for the year.

The second, som

Nikki Tait on the imminent end to the Storehouse/Benlox saga

More questions than answers

"COSTLY", "ill-conceived", "ridic-"COSTLY", "ill-conceived", "ridic-ulous" - Sir Terence Conran, head of the Storehouse retail group, has never wanted for descriptions of the Benlox hid. In fact, as "demerger" propos-als from the relatively tiny investment-dealing to civil engi-neering company rumble through their final week, noth-ing is so prevalent as the sense of a non-event.

MR JAMPS GULLIVER, the Scottish businessman who recently announced his intention to step down as chairman of Argyll Group, has taken a 10 per cent stake in the Broad Street Group, USM-quoted public relations company.

Appointed chairman with immediate effect, his role will be to help Broad Street transform itself into a major broadly-based communications consultancy. Hitherto, the company has been best known for its aggressive role in some of the City's most consultancy. These included the Guinness/Bells bid, when Broad Street acted for the winning side. Later, the agency switched its allegiance from Guinness to advise Argyll during its abortive attempt to acquire Distillers.

Explaining his plans for the group, Mr Gulliver said yesterday that he would be developing a long-term strategy to take it further into related areas such as consumer advertising, corporate identity and more general management consultancy.

This would inevitably True, there have been some last-ditch attempts to spark the offer into life. A pair of rival, strongly-worded circulars have thudded through shareholders letter-boxes in the past few days. But with the past (third) closure.

But, with the next (third) clos-ing date on Friday - for some curious and unexplained reason just a weekend away from day 60 - recent SEAQ trading volume in Storehouse has eased back to under Im shares a day,

back to under Im shares a day, commitment and motivation to and lew in the City expect any pre-Christmas surprises.

Whatever the institutional shareholders' qualms about the current state of Storehouse ment during the bid. On that point, the latest defence docurent state of Storehouse ment from Storehouse is clear. "I personally remain committed to Storehouse into success will be seens unlikely to be the solution.

Taken at their face value, the Benlox demerger proposals suffer from two disadvantages. The first is that they offer fewsolutions to the real retailing question-marks which currently hang over Storehouse. As John Richards at Wood Mackenzie puts its "The bid may be intellectually feasible, but the problems have before the company came into John and the store of the company came into John and the store of the company came into John and the store of the company came into John and the store of the company came into John and the subject of a good deal of colourful press commitment and motivation to storehouse is clear. "I personally remain committed to Storehouse: its success will be showed the culmination of my life's work. It is a challenge I still reliable to the culmination of my life's work. It is a challenge I still reliable that the Storehouse chairman is not at heart a "big group man", keen on tuseling with the somewhat mundane retailing mechanics — no matter how impressive his design contribution to society in general. The third question mark concerns the BhS strategy. As Peter Jones, at Shearson Lehman, puts its "BhS is a very afficient bust."

been facing parts of Storehouse cerns the BhS strategy. As Peter before the company came into play."

Those problems can be categorised into three areas. The first is conundrum of sales." The company's first half profits performance was respectable - up 10 per cent on a 7 per cent sales problems at Mothercare, which led to the announcement of a 3 per cent on a 7 per cent sales problems at Mothercare, which led to the announcement of a 3 per cent on a 7 per cent sales problems at Mothercare mishap more evidence of an improvement of a 3 per cent dip in first half profits mid-bid. The Mothercare mishap lost the chain market share, sent its own profits 27 per cent lower farmes, Storehouse has always to \$9.9m in the first six months, and — in the view of most analysts — is the sort misjudgement which a large retail combine simply cannot allow to happen.





bishing the stores and ranges.

The summarised effect of these doubts has been all too evident in the performance of Storehouse shares. Since the BhS "demerger" bid for another merger in early 1985, Storehouse has underperformed the All-Share Index by more than 35 per cent and the stores index by about 30 per cent. Scarcely surprising then if stories of Sir Terence suffering a rough ride at certain institutional presentations should have circulated, Admittedly, a demerger conducted by Benlox or anyone else would achieve a heap of bid possibilities. Once split into manageable bites, there would be little problem finding buyers for a confusion over the Bishard Storehouse's Sibn — has been under its current management for less than a year. During that time, it has won a "demerger" bid for another mini-conglomerate, Nolton, although details of the first one retailer, former Woolworth director Malcolm Parkinson, at a rate of \$150,000 a year (although claims to have others in waiting functions of the Egyptian financier, as a 23 per cent shareholder. Dr Marwan's part in the bid is dismissed as "alch' by Benlox itself, but And it has Dr Asarar Marwan, the Egyptian financier, as a 23 per cent shareholder. Dr Marwan's part in the bid is dismissed as "zilch" by Benlox itself, but the confusion over the financier's boardroom role, his apparatus ageable bites, there would be little problem finding buyers for
the Richard Shops chain or,
probably, Habitat/Heals. Mothercare, despite the current hiccup,
might well attract interest from
the likes of Sears or Boots. BhS
remains the problem. Arguably,
the company is best treated as a
property play: one theory is that
the chain itself could be alimmed
down and that other retailers. down, and that other retailers, like Marks & Spencer, would be interested in spare sites. And it is worth remembering that 3 per cent stakes in the company are still held by publisher Mr Robert Maxwell and Mr Tony Clegg's Mountleigh Grano.

Mountleigh Group.

But the second drawback to



executive is appointed. That appointment will obviously be crucial; in the words of one analyst: "It will need to be seen as someone with authority, able to take a firm grip on the group." Quite who will fill the gap remains a guessing game. Sir Terence himself has said that there are several candidates in waiting but that none are prepared to commit themselves hangs over the group.

But if that appointment is delayed, or the benefits take long to show through, many company-watchers predict that the retail group could be back in play before the end of 1988.

Il Storehouse still has prob cier's boardroom role, his apparent appearance as a spokesman to the Sunday press mid-bid, coupled with a series of share purchases in both Benlox and Storehouse, has done little to emphasise this passive participation. Moreover, in accepting the Benlox terms, shareholders would effectively pay a fee of up to £15m to its advisers, lfincorp Earl, whose expertise in both retailing and demerging, as Storehouse points out, is untried. So what does the future hold for Storehouse, assuming that lems, however, so does its preda-tor. Should the Storehouse scheme fail, Ifincorp Earl will have three failed demerger bids to its name and only one success (the much smaller Nolton bid). Its efficacy, even as a means of putting companies into play, looks a little questionable. That was not a matter Mr Peter Earl, the guiding light behind the demerger schemes, was keen to discuss this week. To even think about not succeeding is the wrong thing pyschologically," he

for Storehouse, assuming that Beniox is seen off? At present, the current bid is Benlox itself.

The company – whose own market capitalisition now stands at the City seems to be betting on a Somehow, that does not sound itself.

Somehow, that does not sound likely to make Sir Terence until the new Storehouse chief quake.

Porter Chadburn shows sharp fall to £0.16m

cibed himself as perhaps the pioneer is the field of advertising for food retail.

ers" due to his involvement with Fine Fare, and pointed out that the last agency he backed was Saatchi and Sastchi.

His duties at Argyll comet to an end in September next sear. It the meantines, keintends to develop his own business interests and earlier, this week took control of Waveriey Cameron

Suspended at 57p on December 11, Broad Street's shares were relisted yesterday and closed up 11p at the increase in share capital, for an initial consideration of the first set of increase in share capital, for an initial consideration of the first set of increase in share capital, for an initial consideration of the first set of increase in share capital, for an initial consideration of the first set of figures since the July management buy-in backed by management buy-in backed by

for the increase in share capital,

making Swift International. The delay of some orders from September to October also adver-selyaffected turnover.

All divisions contributed to profits, except for plastics. Mr Dinkin blamed shortages and

for an initial consideration of

Porter Chadburn has comes and Mr Dinkin said some

The company intended to educe the level of gearing below the present 50 per cent, although its ability to do so might be lim-ited by further acquisitions.

comment

The key to Porter Chadburn's future lies somewhere in the marketing past of Mr Dinkin, a former vice-president of Scott Paper. He is likely to be casting around for specialist marketing-oriented businesses, though these will not necessarily be in distribution. The likely seeds of these are in the engineering paper and packaging industries. But Porter Chadburn is no nice clean shell, simply rich in cash and under-utilised readily disposable assets. It is a company able assets. It is a company which had lost its way, a collection of mixed businesses, some of which, like oils and plastics are more difficult than others. The Tasco acquisition suggests additional The Tasco scquisition suggests additional pointers; Porter Chadburn is likely to acquire healthy businesses with good management which are then allowed to operate indepen-dently. In the nearer future, pre-tax profits of \$1.5m for the year look ressonable.

Explaura shows reduced loss at interim stage LOSSES of Explana Holdings,

which has limestone interests in Newfoundland, totalled £14,029 for the haif year ended June 30 1987. No comparative figures were prepared in view of the changes which have taken place in the nature of the company's

The directors said yesterday that they remained firm in their view of the strength of the com-

pany's primary market, the eest coast of the US.
Discussions were being held with purchasers there who were interested in taking substantial quantities of limestone aggregates when sales commence in the spring of 1989.

The directors added that it was possible that the company's

facilities may also be employed for the processing and shipment of other minerals from the area of its quarry project which were also in strong demand on the least coast of the US.

The reported results for the

The reported results for the 5p. A total of 15p was paid for opening half year did not the year to March when the pre-include any costs for the quarry tax result was just £701,000.

project. They did, however, reflect the first phase of planned sales of other investments (\$118,333) and general overhead expenses (\$107,192).

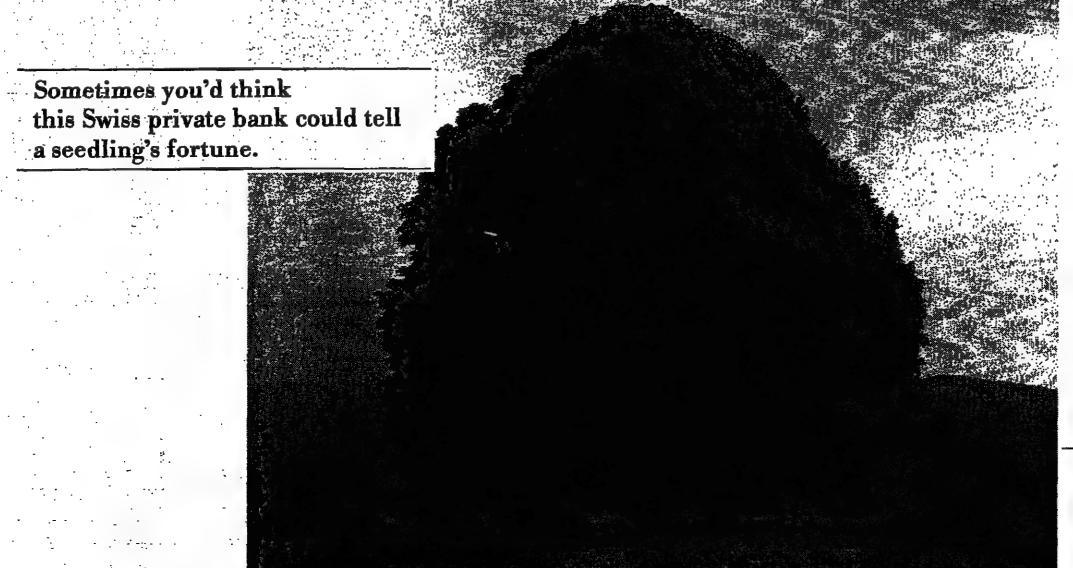
For the year to December 31 1986 the company, whose offer for sale on the USM in September was oversubscribed more

ber was oversubscribed more than-terr times, ran up losses of £407,662 at the pre-tax level.

Graig Shipping profits triple

Graig Shipping almost tripled pre-tax profits to \$1.04m against \$354,639 in the half year to September 30 1987 on turnover

Earnings per &I share improved to 34.06p (15.38p) after tax of \$354,000 (\$47,000). The interim dividend is being held at



7 hen a client entrusts us with the management of his assets, he doesn't want any involvement in the administration. But he definitely wants to see growth.

After all, he will justly expect that for us, portfolio management goes beyond just preserving those assets. To grow and develop into mature plants, seedlings need care and attention. So do assets.

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Bett Bros

lifts profit

Bett Brothers, Dundee-based property investor, licensed premises manager and commercial vehicle dis-

and commercial venture in-tributor, lifted taxable prof-its from \$849,000 to £1.07m on turnover £500,000 ahead from £15.42m to £15.92m in

the year ended August 31,1987.

The directors proposed a final dividend of 2.2p (2p) making a total for the year of 3.5p - up from 3.2p last time - and after tax of

5419,800 (\$304,000) earnings per 20p share jumped from 3.2p to 4.03p.

They said that they were confident of further solid

progress being achieved during the current fluencial

extraordinary charge of \$46,000 (\$65,000).

John Perkins Meats, USM-quoted meat whole-saler, beefed up taxable profits substantially in the 53 weeks to October 3 from £281,000 in the previous 52 weeks to £682,090 on turn-

over up from \$17.58m to

John Perkins

to £1.1m

Vaux profits rise 23% to £21.6m

Vaux, the Sunderland-based brewing and hotel group, yesterday reported pre-tax profits of \$21.59m for the 53 weeks to October 3, an increase of 23 percent on last year.

Earnings per share were 34.75 (30.6p) with a proposed final dividend of 9.5p making a total of 14.2p, a 17 per cent increase.

Turnover was \$181.7m compared with \$163m last year.

Turnover was \$181.7m compared with \$163m last year.

The brewing division said Mr Nicholson and the wine and spirits division said Mr Nicholson had seen an increase \$287.2m, Swallow Hotels \$48.6m and the wine and spirits business \$45.9m.

At the pre-tax level the brewing the brew-ing business ing business contributed \$9.8m, been adversely affected by poor summer weather. Vaux brews further hotels where we can find Carlsberg under licence in a suitable sites. We also intend to develop further our existing now accounts for 34 per cent of develop further our existing of the wholesale did the brew-ing business summer weather. Vaux brews further hotels where we can find the summer weather. Vaux brews further hotels where we can find the summer weather. Vaux brews further hotels where we can find the summer weather. Vaux brews further hotels where we can find the summer weather. Vaux brews further hotels where we can find the summer weather. Vaux brews further hotels where we can find the summer weather. Vaux brews further hotels where we can find the summer weather. Vaux brews further hotels where we can find the summer weather. Vaux brews further hotels where we can find the summer weather. Vaux brews further hotels where we can find the summer weather. Vaux brews further hotels where we can find the summer weather. Vaux brews further hotels where we can find the summer weather. Vaux brews further hotels where we can find the summer weather. Vaux brews further hotels where we can find the summer weather. Vaux brews further hotels where we can find the summer weather. Vaux brews further hotels where we can find the summer weather. Vaux bees days in the loss of the hotels.

Devenish surges 49% to top £9m mark

In early 1986 Devenish, with 350 public houses, merged its operations with Inn Leisure, a fast-growing operator of 40 pub-lic houses and wine bars. The

The acquisition will give Powell & Haisall Haulage, an industrial waste disposal contractor

bought by Caird last month, a dedicated tip at Rossett in Ciwyd, near Chester. Astbury has a renewable five-year land-

fill contract at the site.

Caird builds up waste

side with £0.5m buy

tan, brewing a Devenish ale under licence and supplying it and other beers to tenants there reduced turnover but increased

spent on refurbishment and acquisition of new pube this

In addition the brewer is testprofitability from the division.

Devenish's new strategy was to renovate the top 15 per cent which owns Courage, in which

J.A.Devenish, West Country brewer, yesterday reported a pre-tax profit of \$9.06m for the year ended October 30 1987, an increase of 49 per cent on the previous year. This was achieved on a slightly lower turnover of \$2.03m from property disposals compared with \$1.56m last year.

Earnings per share were up 57 per cent to 17.67p, with a final dividend of 2.25p per share making a total of 3p compared with \$2.7p.

Inow led by that of Inn Leisure which claims it has brought proceed to fix pubs, dispose of the 10 per tent of poorer properties, and buy into urban areas, including the stake in their public houses. Some nine pilot schemes are curtom of this strategy in the buy into urban areas, including the buy into urban areas, including the stake in their public houses. Some nine pilot schemes are curtom of this strategy in the buy into urban areas, including the buy into urban areas, including the stake in their public houses. Some nine pilot schemes are curtom of this strategy in the buy into urban areas, including the stake in their public houses. Some nine pilot schemes are curtom of the spread of the National Westons in the professional management skills to a traditional brewer.

In mow led by that of Inn Leisure which claims it has brought professional management skills to a traditional brewer.

In mow led by that of Inn Leisure which claims it has brought professional management skills to a traditional brewer.

In mow led by that of Inn Leisure which claims it has brought professional management skills to a traditional brewer.

In mow led by that of Inn Leisure which claims it has brought professional management skills to a traditional with instead buy into urban areas, including the stake in their public houses. Some nine pilot schemes are curtom of the stake in their public houses, some nine pilot schemes are curtom of the subject to the National Westons which it now has 131 compared with 74 at the beginning of the scheme. Devenish has also reduced its dependance on seather to be had.

The changed pattern of the scheme. Devenish has also been trebling capacity at its Redruth brewery in Cornwall where a range of new "added value" products under the Newquay Steam brand name will be brewed with a capacity of 300,000 barrels a year on stream by April. These products, brewed to strict Continental purity standards, are being offered to other brewers as "niche" products.

Acquisition boosts EDP

A. Caird & Sons, the Scottish property investment company, yesterday continued its move into waste disposal with the purchase of Astbury Plant, landfill operator and quarry owner, for £450,000 in cash and shares.

The acquisition will give Powell & Haisail Haulage, an industry of £150,000 in the current year.

The following companies have notified distas of board meetings to the Stock Exchange. Such
meanings are trausily held for the purpose of consistency dividends. Official indications are not
available as to whether the cividence are interest
or finals and the sub-divisions shown below are beset mainly on last year's timetables.
TODAY

dors of Astbury, will become non-executive chairman of Cairdi Environ, a new subsidiary which will hold the group's environ-mental services activities.

BOADD MEETINGS

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The following companies have notified dates of board meetings to the Stock Exchange. Such	
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The Brewery.

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The integration of Business Computer Systems, acquired in March 1986, boosted turnover and profits of Sheffield-based \$403,000 to group taxable profits Electronic Data Processing in

		n.	NO MEETINGS			
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e following companies have notified dates of and meetings to the Stock Exchange. Such chings are traully held for the purpose of	wick, Chemning, English China Cle Leimire.
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TODAY	Barrauds Inti Bond Fund

After increased tax of \$227,000 (\$71,000) earnings per 10p share worked through at \$3.49p (1.66p) basic and \$4.49p fully diluted. The directors declared an anchanged final dividend of 0.5p making a total for the period of 1.5p (1.5p).

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> Financial Times Europes Business Newspaper

Acquisitions help boost BSS to over £4m in first half

BSS Group, a distributor of industrial heating and pipeline, lifted pre-tax profits from \$3.98m to \$4.26m in the half year ended September 30 1987, helped by the growing contribution from Manor Building and Plumbing Supplies, acquired a year ago. The company armounced another acquisition, that group performance during troks in October. The company developments. Trade had subsequently been-strong and had reflected benefits from that expenditure.

An interim dividend of 4p (3.25p) is being paid from earnings ahead by 1p to 14.7p per 20p the second half, he added, saying that the directors were confident in the group's progress.

Operating profits worked through at \$4.18m (\$4.17m) and that group performance during extractives of \$74,000 (\$188,000).

announced another acquisition, that of Ivco Process Valves, a distributor of process control valves, for around \$3.65m. This

complements the purchase of AM Supplies (Pumps and Con-

pre

A 175

Turnover improved by 11.6 per cent to \$47.21m (\$42.31m). Mr through at \$4.15m (\$4.17m) and that group performance during the closing months of last year and the first three months of the current year reflected quieter extraordinary debit of \$126,000 trading and the impact of relating to discontinued businicreased expenditure on new nesses.

Jack Israel rises by 44%

Jack L. Israel, USM-quoted importer and distributor of fruit and vegetables, increased pre-tax profits by more than 44 per cent on turnover up 95 per cent in ing. catering and retail supply the six months to September 30 activities has been supplemented by the new activities in nuts, during the current financial year. Bett Brothers was expanding its property and leisure businesses and further strong contributions to group profits were expected from these core activities this year and beyond.

They cautioned that the commercial vehicles divi-

Profits rose from \$427,000 to \$617,000 on turnover ahead from \$17.31m at \$33.73m. The results included five months contribution from John Martin Foods for which israel paid \$5.6m in April. In the year to March 31 profits fell 28 per cent from \$1.42m to They cautioned that the commercial vehicles division operated in a still difficult market but expected a further improvement. The group's focus was therefore now on specialised businesses in which it has proven skills and could project clear long-term growth potential.

Bett paid interest of £913,000 (£954,000) and an extraordinary charge of

by the new activities in nuts, dried fruit and canned fish, which were introduced with the purchase of Martin. (£135,000) earnings per 4p share He rose from 0.44p to 0.5p. There is no interim dividend. Last year, sin Israel paid a final dividend of ity.

0.5p.
Mr Alexander said that the Mr Alexander said that the company was committed to a policy of building a broadly-based group with an increasing range of products and services, offering sustained growth for its shareholders. He said Israel would continue to pursue opportunities for further growth to strengthen further and broaden its operating and financial base. its operating and financial base. He said it was determined not to become over-dependent on any single area of operation or activ-

Lister on target at £1.5m

Lister & Co., textile manufacturer, boosted taxable profits from \$1.25m to \$1.5m on turn-over up from \$23.78m at \$24.53m in the six months to September 26, 1987.

Lister & Co., textile manufacturer, boosted taxable profits from \$1988 would be satisfactory.

After tax down sharply at ties with a strong balance sheet \$132,000 (\$249,000) earnings per following the sale of its principal investment property in London's The directors doubled the local for interim dividend to 1p-total for last year was 30.

Minority interests accounted

Mr Justin Kornberg, chairman, said that the results had been in line with the company's expecta-tions and that indications were that profits in the year to March

inst year was 3p.

Mr Kornberg said that as a for an unchanged \$2,000, whiresult of the continued downturn leextraordinary items added in the hand-knitting market the company was withdrawing from the New Oxford Street properties.

Plysu ahead by 20% midway

Plyse, Buckinghamshire-based plastic container manufacturer, reported a 20 per cent expansion in taxable profits to \$3.25m in the six months to October 10. The outcome was scored on group turnover of \$22.17m - up

from \$17.46m last time - a figure comprising £18.03m (£13.76m) After tax of £1.14m (£945,000), from UK containers, £3.56m adjusted earnings per 10p share worked through at 4.88p against 2 comparable figure of 4.05p. Sources. The Dutch operationadded £2.18m (£2.06m) to the over-

44,00 34,00 34,00 44,00

Kecord results FOOD

pub improvements, including change of livery for 400 Vaux houses.

Hotel newly acquired at York,

3 new hotel leisure centres

developed.

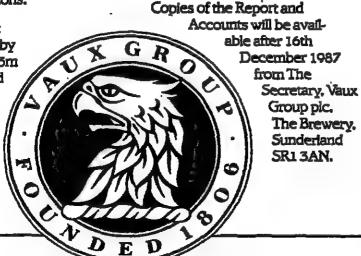
new hotels being built at Waitham

Abbey and Peterborough, and

19th successive profit increase

Mr Peter Jones, one of the ven

- Vaux Group pre-tax profits rise 23% from £17.5m to £21.6m.
- Final dividend of 9.5p makes total dividend increase of 17% to
- Improved profits across the board - in Breweries, Hotels and Wine & Spirits divisions.
- Balance sheet strengthened by successful £25m debenture and £35m rights issues.
- £4.9 million invested in



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end service PEB C. SCORE See Grand Chair 3-19-192E

Agentic in a second sec

will be held for a minimum of mum of \$1.5m in 1988 and \$5m in 1991, with a final payment in 1992 dependant on post-tax profits from MDA. An additional bonus payment of up to \$4m is payable if MDA achieves specific profit targets and a minimum growth rate of 25 per cent average compound on its post-tax profits of \$1.268m in 1986. Billings in 1987 are put at \$38.1m.

fields yesterday revealed that it hadacquired a 4.95 per cent hold-ing in Tricentrol, the fellow oil independent which is fighting off a bid from Elf Aquitaine, the French oil company French oil company.

Mr Roland Shaw, chairman of Premier, said that the stake had been built up steadily since the market started to fall in October. Premier had originizally planned to make a full bid for Tricentrol,

USM-quoted restaurateur, was forced to make an extra provi-

settlement of its long-running

court case with a group of work-ers who had alleged underpay-ment at the group's West End outlets.

The workers were awarded \$28,000 plus a contribution to their costs and Aberdeen now

says that the provisons made in the 1986 accounts for these items

Brookmount, USM-quoted property investor and developer,

more than tripled pre-tax profits from £707,000 to £2.34m on turnover up from £2.55m to £10.68m for the half year to Sep-

tember 30.

The interim dividend is increased to 1.75p (1.3p) on earnings of 18.8p (7p) after tax of £833,000 (£200,000).

Mr Ron Brierley, the New Zeal-and entrepreneur, sold his 20.5 per cent holding to Overseas Strategic Investments, a vehicle of Mr Dick Pratt, an Australian investor with extensive business interests spanning paper and packaging and financial services. As Mr Pratt already held 9.45 per cent of Redfearn, his holding is now just below the 30 per cent level at which he would be obliged to mount a bid under

Brookmount.

sion in its accounts to reflect the profits:

Section Sectio

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WPP, the marketing services group which earlier this year took over the Madison Avenue-based JWT Group, yesterday confirmed that it is buying California-based Mendoza Dillon & Asociados, the largest agency specilaising in Hispanic advertising in the States.

The maximum purchase price is \$25.5m, of which \$10m in cash will be paid upfront. The further stage payments in cash and shares will consist of a maximum of \$1.5m in 1988 and \$5m three years and the overall consideration will be based on a tent sideration will be based on a tent it is buying california based Mendoza Dillon & An additional tax profits for MDA in the three years and the overall consideration will be based on a tent it is maximum purchase profit targets and a minimum growth rate of 25 per cent average profit targets and a minimum growth rate of 25 per cent average profit targets and a minimum growth rate of 25 per cent average profit targets and a minimum growth rate of 25 per cent average profit targets and a minimum growth rate of 25 per cent average profit targets and a minimum growth rate of 25 per cent average profit targets and a minimum growth rate of 25 per cent average profit targets and a minimum growth rate of 25 per cent average profit targets and a minimum growth rate of 25 per cent average profit targets and a minimum growth rate of 25 per cent average profit targets and a minimum growth rate of 25 per cent average profit targets and a minimum growth rate of 25 per cent average profit targets and a minimum growth rate of 25 per cent average profit targets and a minimum growth rate of 25 per cent average profit targets and a minimum growth rate of 25 per cent average profit targets and a minimum growth rate of 25 per cent average profit targets and a minimum growth rate of 25 per cent average profit of \$1.268m in 1986. Billion in 1987 are put at \$38.1m.

Aberdeen Steak's provisions

manage to return to the black at the interim stage and Mr Ali Salih, the chairman, is hopeful that full year profits will exceed the 1985 figure of \$874,000 and

WPP in \$25m US deal

Premier Consolidated Oilhelds yesterday revealed that it
bed by esterday revealed that it
bed by Elf sunched on Friday.

The announcement came amid
on in Tricentrol, the fellow oil
ndependent which is fighting
off a bid from Elf Aquitaine, the
rench oil company.

Mr Roland Shaw, chairman of
remier, said that the stake had
een built up steadily since the
narket started to fall in October.
The Takeover Panel is
believed to be investigating a
complaint which could force
make a full bid for Tricentrol,
make a full bid for Tricentrol,

he said, although this move had
bed by the £135m
to be in the bid or on the extent
of its stake. However, Samuel
Montague, the merchant bank
which is advising Elf, said that it
was approached by Kleinwort on
Friday and offered a 9.5 per cent
of the company at 200p a share.
Tricentrol shares yesterday
rose by 6p to 172p, despite the
depressing effect of the falling
by Elf.

Mr Shaw said that Premier had
ont yet decided what course of
action to take. He would not rule

Amber Day shows sharp downturn

turer and distributor, revealed turer and distributor, revealed taxable profits sharply lower at \$155,000 in the 60 weeks to July 25. In the comparable period - 53 weeks to end-May 1986 - the group achieved pre-tax profits of \$257,000.

Turnover of the Soho-based group, in which a consortium headed by Mr Irvine Sellar holds just under 30 per cent of the equity capital, advanced from \$9.37m to \$10.13m, but the operating deficit came out at \$65,000 against a profit of \$232,000 last time.

Interest charges fell to \$16,000 (\$30,000), while tax took \$66,000 (\$116,000), and resulted in a loss per 2.5p share of 0.72p (earnings of 1.5p).

Wimpey disposal

and the balance has been tourists who are significant cuscharged against the first half tomers at the group's outlets and profits.

However, the company did manage to return to the black at 1927 halved the group report manage to return to the black at the interim stage and Mr Ali 1987 helped the group report turnover up 16 per cent to that full year profits will exceed that full year profits will exceed the 1985 figure of \$674,000 and pared with a loss of \$299,000 in the directors hope to be able to recommend a higher dividend than last year's 1.2p.

Aberdeen's 1986 figures were 0.7p (loss per share of leased Wimpey, construction group, is selling Buro Center An Der Messe, a property development in Frankfurt, for about the first half of last year. After \$200.000 (nil), earnings per share of offices and car parking, is fully leased

the directors hope to be able to recommend a higher dividend than last year's 1.2p. THF in £26m US hotel deal

The directors said that the enlarged group now had the resources to look to the future with confidence.

Dealing lifts Redfearn shares

Tracthouse Forte, the world's largest British-based hotel group, yesterday announced a further expansion of its North American operations with the acquisition of the US-based Skylight Inns chain for 525m.

Skylight has 1,500 rooms in 13 economy hotels across the US-based operations in Incomplete the properties have been built in the past four years, with

ment.

"We are particularly impressed with the existing Redfearn mangement," the statement continued, "and hope to assist the company to further improve its market performance."

This was not enough to comfort Redfearn, which apparently 2.1 a share. Yesterday, he sold received only minimal advance notification of the transaction. The company issued a curt statement calling upon OSI to clarify its intentions and explain exactly how it intended enhance.

DIVIDENDS ANNOUNCED

Sears argues that its own retailing skills plus its financial and property strengths would help the mail order business. Last night, Freemans' managing director, Mr Ralph Aldred, said that his initial response to the document was that it contained nothing new, and that the company would be making a more measured response in due course.

Domining 1	HES TECHTOR	III SILLEL OS	i	Current	nens	ponding	tos	TANK.	l
BY DAVID WALLER				payment	payment			-year	l
MORE than 20 per cent of the	Takeover Panel, However a	its market performance.	Bett Brothersfin	2.2	Mar 7	2 .	3.5	. 3.2	ł
shares in Redfearn changed	statement issued yesterday by	Redfearn has enjoyed a period	Britisk Landint	1.44	Feb 12	1.25		3.5	1
hands yesterday es one Antipo-	his UK advisors. NM Rothschild	of recovery since 1985 when Mr	Brookmountsit	1.75		1.3	-	4	ı
dean investor sold his stake in	sold that he had no intenticut to	Arthur Church was appointed.	RSSint	41	Jan 22	3.25	= '	9.25	ı
the glass bottle and packaging	winks a hid and regarded the	chief executive. Pre-tax profits	Devenish (J.A.)fin	2.25	Feb 24	2.15	3	2.7	ł
company to another. As a result,	haiding as a lang term invest-	TOP (MACLEY WATER SALITE COME)	I Edicus Units Dates analys	477	Apr 4 Jan 26	1.15	21	1.75	ı
Redfearn's shares jumped 56p to	man man e e e	THE PART OF THE PA		0.02	Jan 26	0.32*	-	1.02	ı
West States States on to	"Us are servicularly (Myressed	1082.54 In June this meet the	I GLETK CHRORITER ******	· · ·	-	8_		15	1
425p.						1.48	2.65†	2.38	ı
Mr Ron Brierley, the New Zeal-	with the existing regression	company diversities into package	Listerint	1	Jan 22	0.5	-	3	ı
and entrepreneur, sold his 20.5	mangement," the statement con-	rus mru rus 313 per scrimmenou	John Perkinssfin	0.6	Mar 18	0.6	1.8	1.2	ı
per cent holding to Overseas	finited and nobe to seem his	OI DIRECT LIEXDECK	Plaxtons (GB)fin	31	-	3	45	4.5	1
Strategic Investments, a vehicle	company to further improve its	Mr strietley is belived to have	Plysuint	0.65	-	0.54*	-	1.83°	ı
of Mr Dick Pratt, an Australian	market performance.	SCCUMULADED AS DORDING CHROUSE	Donatau Chadhann int	0.250	-	14	-	2p# 1.9	ı
investor with extensive business	This was not enough to com-	TEL DECILIOR IN 1900 ST DEIOM	i.Pichardefin	1.9	-	1.8	2.6	1.9	ı
interests spanning paper and	fort Redfearn, which apparently	il a share. Yesterday, he sold	Vanyfin	9.512	-	- 8.32	14.2	12.18	ı
packaging and financial services.	received only minimal advance	2.05m shares at 450p, realising a	Viking Packagingfin	2.34	Peb 5	nii	3.5	nil	ı

Dividends shown pence per share net except where otherwise stated. "Equivalent after allowing for scrip issue, †On capital increased by rights and/or acquisition issues. §USM stock. Unquoted stock. Third market. \$53-week period. ©On 5p shares. §On 20p shares.

BCal calls for CAA to Increased trading in resist BA licence move partly-paid **BP** shares

for the immediate revocation of BCal troute licenses.

BCal urged the CAA not to saccept BA's application, which it said had been made "for an ulterior purpose." The application, announced last week shortly after the CAA tentatively approved a rescue package involving Scandinavian Airlines System, was "wholly improper and constitutes an abuse of (CAA) procedures," said Sir Adam Thomson, BCal chairman.

Last might, his letter had not yet been received by the CAA, which said it would have to consider its contents.

BA claims that SAS would make over the primarily the removal of internal trade barriers envisaged by the European Community by 1992.

Sir Adam said BA's application was based on assumption, not present circumstances. It was clear, he said, that "the applications are not made on the basis of facts now in existence; indeed it could not possibly be alleged it could not possibly be alleged it and the power to refuse to hear which said it would have to controlled by UK nationals."

Sir Adam also said the CAA at the power to refuse to hear which said it would have to controlled by UK nationals.

Sir Adam also said the CAA at the power to refuse to hear application because the

British Fetroleum's partly-paid shares saw very heavy trading yesterday amid speculation that the Kuwait Investment Office was fur-ther increasing its take beyond the 13.07 per cent level declared on Monday. Volume in the partly-paid stock was 184m compared with just 5m in the fully-paid variant. The dealings represented well over a quarter of all business done in leading London stocks yesterday. in leading London stocks yesterday.

Analysis assume that the RIO is accumulating the unwanted stock to take its stake in BP up to the 16 percent level. Its buying spree yesterday left the mid-price unchanged at 71½p, a figure supported only by the presence of the Bank of England's promise to buy back the stock at 70p.

inight told the Civil Aviation on which to choose between the to 40 per cent through the conversion of preference shares once had no basis on which to apply for the immediate revocation of Bod's route licences.

BCd wread the CAA not to

However, if the case were to proceed, BCal said, the CAA should waive the normal notice have effective control over BCal demand for immediate revocation because the application because the application because the application because the demand for immediate revocation because the would be limited to 23.5 per months before the date it was proposed to take effect.

Blue Circle pushes Birmid bid

Sears puts its

case for taking

over Freemans

ers, the retail, footw

and betting group which launched a \$430m contested

cash offer for Freemans,

the mail order company on Friday, has sent out its

offer document.

In it Sears argues strongly that "in an increasingly difficult business environment for mail order, Freemans is

struggling to establish itself successfully in the new areas of business which it needs to develop in order to ensure future growth in profits and sales."

By Nikki Taik

Blue Circle, cement company, yesterday outlined the reasons why it believes it is suited to take over Birmid Qualeast, the lawnmowers, boilers and cookers group for which it has launched to be very much a sighting shot,"

The 300p a share offer seems to be very much a sighting shot, "

Blue Circle said it would vigorously defend the action, against which it had a good defence. It believed that the claim would have no material effect on the financial or trading position of

In its offer document to Birmid shareholders it said that its bathroom products subsidiary, Armitage Shanks, and Birmid had a trial and a state of the said Mr Alan Emson, Birming finance director. "Clearly Birmis undervalued at that price."

The small print of the document to Birmid shareholders it said Mr Alan Emson, Birming finance director. "Clearly Birmis bathroom products subsidiary, and Birmid shareholders it said Mr Alan Emson, Birming finance director. "Clearly Birming finance director." "Clearly Birming finance director

to be very much a sighting shot," said Mr Alan Emson, Birmid's finance director. "Clearly Birmid

bathroom products subsidiary. Armitage Shanks, and Birmid had a unique opportunity to achieve considerable success in the growing home-products market.

Put together, the two companies would benefit from their ability to offer a broader range of products and from their access which did not go ahead.

the group.

The company described its cash offer for Birmid as generous. The 300p was 50 per cant above the value of shares on the day before the company launched its offer.

It said accepting shareholders would be able to invest the gross cash proceeds to obtain an income 290 per cent higher than they received from their holdings in Birmid.

Storehouse buys Blazer

storehouse, the retail chain which is currently contesting the "demerger" bid from the relatively tiny Benlox group, yesterday sealed its purchase of the Blazer men's fashion retailer.

Storehouse is paying \$4.7m upfront for Blazer, of which \$200,000 will be satisfied by the issue of Storehouse shares, plus a further \$700,000 in December

next year. An additional sum to run Blazer as an autonomous becomes payable dependant on chain within the group and sees room for a steady expansion of its outlets. In the year to August, Blazer produced sales of \$4m and pre-tax profits of \$600,000. In profit terms, that represented trail London, one in Hampstead a 50 per cent improvement on and another in Guildford. The lotal seiling space is 7,700 aq ft.

Storehouse says that it intends

Neil & Spencer warns on share price value

SPECULATORS who have recently bought into Neil & Spencer Heildings, the laundry machinery manufacturer, were dealt a blow yesterday when the company warned on the level of its share price.

Mr Richard Fleischmann, chief executive and owner of 34 per cent of the company, has made an approach which may lead to an offer for the company.

However, Neil and Spencer said that in view of the group's determine the course of action which is in the best interests of shareholders.

Neil & Spencer, which is part of shareholders.

Neil & Spencer, which is in the best interests of shareholders.

price."

Neil & Spencer, which is
The ordinary shares finished advised by Baring Brothers, is
last night at 11p, down 2p on the capitalised at about \$3.2m.

Plaxtons profit doubles to £1.5m

Plaxtons (GB), coschbody builder, more than doubled pre-tax profits from £732,000 to £1.49m on turnover up from £36,95m to £99,88m for the year

to September 30 1987.
The final proposed dividend is held at 3p making an unchanged total of 4.5p. Earnings per 25p share surged to 7.6p (4.2p).
The directors said that a good

in the current financial period there was evidence of some upturn in the coach market, and car and truck sales were buoyant, particularly in contract hire. They looked forward to current and future years' prospects with

Tax came to \$269,000 (£239,000) and there was an extraordinary credit of £413,000

Company facing present uncertainties

with a strong balance sheet

The unaudited results of the group for the half year erided 25th September 1987 are>

	1987 £000	1986 £000
Turnover	24,532	23,776
Profit before taxation and extraordinary items	1,531	1,254
Taxation Minority interests	(132)	(2)
Will folly line tests	1,397	1,003
Extraordinary items	9,023	398
Profit attributable to shareholders	10,420	1,401
Dividend on 3.5% cumulative preference shares	(10)	(10)
Dividend on ordinary shares	(165)	(83)
Retained profit	10,245	1,308
Earnings per ordinary share of 25 p	8.42p	6.03p

- Profit before taxation has increased by 22% on turnover
- ► The directors have declared an interim dividend of Tp per ordinary share payable on 22nd January 1988 to members registered at the close of business on 8th
- ➤ At present indications are that profit before taxation for the year to March 1988 will be satisfactory to share-

The group manufactures an extensive range of textile products and has interests in property, engineering and insurance broking. Textile products include yams, velvets, curtains and cushlons, rugs, fur fabrics, woollen cloths and slik fabrics.

Lister & Co. p.Lc., Manningham Mills, Bradford BD9 4SH.

Continuing growth from Brookmount

- New joint venture enhances Brooklands potential.
- Strong asset base following £80m property acquisitions.
- Resale of acquired properties planned to improve portfolio quality.

	Unaudited Half Year to 30 September	Year
Profit on ordinary activities before	1987 1986 \$2000 \$2000	31.3.87 £000
taxation	2,341 707	2,253
Earnings per share	18.8p 7.0p	22.0p
Dividend per share	1.75p 1.3p	4.0p

"The enlarged Group now has the assets, the opportunities and the resources to look forward to the future with confidence." Jack Wilton, Chairman

Commercial property development, investment, management company.

Copies of the Interim Statement are available on request from: The Secretary, Brookmount PLC, 70 Piccadilly, London WIV 9HH.

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Goodman Fielder Wattie Limited

(incorporated with limited trability under the laws of the State of New South Wales, Australia)

Introduction to The Stock Exchange

Pully paid Ordinary Share capital

Authorised 1,999,800,000

Ordinary Shares of A\$0.50 each

issued 376,780,322

Goodman Fielder Wanie Limited (the "Company") and its subsidiaries manufacture, distribute and supply food products and, based on turnover, comprise the largest group in the food industry in Australasia.

Application has been made to The Stock Exchange for the fully paid issued Ordinary Share capital of the Company to be admitted to the Official List. It is expected that such admission will become effective, and that dealings will commence, on 17th December, 1987.

Information relating to the Company and its subsidiaries is available in the statistical services of Syral Financial Limited Company. of Extel Financial Limited. Copies of the Listing Particulars may be obtained during usual business hours on any weekday (Saturdays and Public Holidays excepted) up to and including 30th December, 1987 from-

S.G. Warburg & Co. Ltd., 33 King William Street, London EC4R 9AS

The Stock Exchange, Throgmorton Street,

INDIAN TUE

16th December, 1987

Lower world milk output forecast

WORLD MILK production has 16 countries adhering to Gatt's over two years. finally stopped expanding and world butter output will be "significantly lower" in 1987 and 1988, according to the annual report on the dairy products market multished today by the fet wices have remained at or over two years.

Second, EC measures, including limits on intervention buying to discourage butter products and some Assar countries, were were able to raise minimum ing. to discourage butter products and some Assar countries, throughout 1987 butter and milk reports. Community butter outs a couple of riders to its forecasts.

The availability of ample food at the availability of ample food at the source of the product of the availability of ample food at the product of the product

annual report, which was partic-ularly gloomy about the outlook for the butter trade and sceptical annual report, which was particularly gloomy about the outlook for the butter trade and sceptical about plans to curb milk output, Gatt's latest assessment is relatively, if cautiously, optimistic about market trends.

The Soviet Union could then After expanding by another went straight into stock.

Two Community measures this year world milk production has year have appreciably altered trively, if cautiously, optimistic about market trends.

EC Farm Ministers' decision in Echanics in output in West triving the After expanding by another went to 520m tonnes is to 520m tonnes is surplus amounts of dairy products for sale on the world market at very low prices, it stabilised in 1987 and can "hope fully" be kept within reasonable in the future, Gatt reports.

EC Farm Ministers' decision in Echanics in output in West triving 15 to 100 to 100

The expected reduction in outter supplies next year should
result in an improvement in
prices, at least for fresh butter,
Gatt predicts.
In sharp contrast to its 1986
annual report, which was particannual report demand and even

about plans to curb mik dutput,
Gatt's latest assessment is relatively, if cautiously, optimistic about market trends.
This optimism was earlier
This optimism was earlier
The Community measures its year with mink production has stabilised in 1987 and can "hope the situation. The first was the fully" be kept within reasonable
EC Farm Ministers' decision in limits in the future, Gatt reports.
The World Market for Datry Products. From the Gatt Secretariat, 154 rue de Lausanne, 1211 Geneva, price SFr 12.

mainly to policy measures, were "not likely" to be outweighed by

However, Gatt cautiously adds a couple of riders to its forecasts.

throughout 1987 butter and milk reports. Community butter outfat prices have remained at or slightly above the minimum and Trade (Gatt).

Stocks of butter and skimmed milk powder will be substantially smaller by the end of 1987 than a year earlier, thanks largely to the tough but controversial steps taken by the European Community to reduce its enormous surpluses.

The expected reduction in butter supplies next year should result in an improvement in the fat prices have remained at or slightly above the minimum export prices set under the slightly above the minimum first half of 1987 compared with first half of 1987 compared with the corresponding period for 1986. Over the year as a whole, Gatt expects, it will return at 7.8m tonnes worldwide in 1986, least to the average level of tonne increase in EC output. The expected reduction in butter output first half of 1987 compared with the corresponding period for 1988. Over the year as a whole, Gatt expects, it will return at 7.8m tonnes worldwide in 1986, least to the average level of tonne increase in EC output. The expected reduction in butter output first half of 1987 compared with the corresponding period for 1988. Over the years as a whole, Gatt expects, it will return at 7.8m tonnes worldwide in 1986, least to the average level of tonne increase in EC output. The expect of the corresponding period for 1987 compared with the corresponding period for 1988. Over the year as a whole, Gatt expects, it will return at 7.8m tonnes worldwide in 1986, least to the average level of 1981. Over the year as a whole, Gatt expects, it will return at 7.8m tonnes worldwide in 1986, least to the average level of 1981. Over the year as a whole, Gatt expects, it will return at 7.8m tonnes worldwide in 1986, least to the average level of 1981. Over the year as a whole, Gatt expects, it will return at 7.8m tonnes worldwide in 1986, least to the average level of 1981. Over the year as a whole, Gatt expects, it will return at 7.8m tonnes worldwide in 1986, least to the average level

Quality worries hit rubber stock sales BY WONG SULONG IN KUALA

THE INTERNATIONAL Natural Rubber Organisation's buffer stock manager is now back the market, following the recovery of prices to the 'may sell' level, but traders are showing little interest in his offerings because of the allegedly poor quality of

his stock.

Recent buyers of the buffer stock RSS rubber grades at the Port Klang godowns (warehouses) said they found it contaminated with water and could cost as much as 22 Malaysian cents (4.8p) a kg to dry.

Traders say the wet rubber could be due to poor storage conditions or improper packing leading to condensation.

rubber, says one trader.
On Monday, for example, the
BSM offered SMR 20 rubber at 230 Malaysian cents a kg, repre-senting a hefty discount of 53 cents from fresh rubber available on the market, but there were no bidders.

Organisation officials say however, that claims about poor quality INRO rubber have been exaggerated by traders to depress quality INRO rubber have been exaggerated by traders to depress prices. In most instances, they say, buffer stock rubbers are slightly mouldy, and this could be treated at a modest cost.

Rubber prices, which fell below the "may sell" level of 232 Malaysian/Singapore cents a kg in mid-November, in the aftermath of the world-wide stock market crash, have since recovered and appear set to break the "must sell" level of 242 cents.

The INRO five-day moving average, which is the composite rubber price index, is now around 239.5 cents a kg.

While markets in Europe and New York are slowing down ahead of the Christmas holiday season, sentiment in the Far East is bullish in anticipation of production shortages in Malaysia, clussed by widespread flooding.

Apart from impeding tapping of rubber trees, heavy rains will also wash away rubber latex collected in the cups place around the trucks of trees.

Rubber production from Iohore and Pahans — two maior

Rubber production from Johore and Pahang - two major producing states - could be down by 20 per cent if heavy rains continue next week. Three SMR factories in two states, operated by the govern-ment-owned Federal Land Devel-

to shut down this week because Meanwhile the statistics department said Malaysis's rubber production during the first 10 months of this year rose three per cent to 1.294m tonnes.

US MARKETS

WORLD COMMODITIES PRICES

Tuna incident nets handsome return for Pacific islands

WHEN an American fishing boat the Jeannette Diana was spotted poaching tuna fish in the Solomon Islands 200-mile exclusive economic zone a high speed chase by a surveillance vessel, the "Sipv Savo" ended with three ishots being fired and the arrest and detention of the poacher.

The incident, which happened in 1984, led to the poacher being to the states which make up the South page 1924. The incident occurred the poacher being the states which make up the South page 1924. The incident occurred the poacher being the states which make up the South page 1924. The incident occurred the poacher being the states which make up the South page 1924. The incident occurred the poacher being the po and detention of the poscher. The incident, which happened in 1984, led to the poscher being

tried and fined in a Solomon Islands court. And the US Administration retaliated by pla-cing an embargo on tuna fish from the tiny Pacific island of

Pacific Forum were trying to negotiate a multilateral fishing

treaty with the US.

In the wake of the incidents the relationship between the two sides remained strained for some Recent buyers of the buffer stock RSS rubber grades at the Port Klang godowns (warehouses) said they found it contaminated with water and could cost as much as 22 Malaysian cents (4.8p) a kg to dry.

Traders say the wet rubber could be due to poor storage conditions or improper packing leading to condensation.

Since September, the BSm is believed to have sold about 40,000 tonnes from his 370,000 tonne stockpile, but during the past fortnight consumers have avoided his offerings, with the result that he has managed to sell only a few hundred tonnes.

There is increasing market talk about the deteriorating condition of BSM rubber, some of which is four to five years old. China does not want to buy BSM rubber, says one trader.

On Monday, for example, the

industry will pay \$50,000 per vessel for up to 40 vessels and \$60,000 per vessel above that level. The maximum number has been set at 60. A Pacific island observer has the right to travel on each of the vessels.

Although the Jeannette Diana incident and its aftermath demonstrated that the South Pacific islands feel passionately enough about their fish to protect it, the willingness of the US Administration to conclude the treaty was helped by the competition that has begun to creep into the South Pacific.

officials from the Fiji-based Regional Fishery Support Protogramme of the UN Food and Agriculture Organisation.

The negotiations ended earlier this year with the signing of a five year treaty which gives the island states \$56.5m in aid and a satisfactory level of licence fees.

It is one of the most complicated fishing treaties ever signed," said Mr Robert Gillett, a to creep into the South Pacific.

A bilateral fishing treaty signed last year between the Soviet Union and Kirlbati (formerly the Gilbert Islands) seems to have encouraged a more open-handed approach by the US Administration so as to appear a more attractive partner than the Soviets in the seas which President Reagan has called "the ocean of the 21st century."

Windward Islands face banana problems

THERE IS increasing concern in the Windward Islands, which iberalise trade by 1992 will supply most of Britain's bananas; about the future of the group's access. St Lucia and the other put, was recently forced to put, was rece

Mr Craig Griffith, chairman of the Belize Banana Control Board, years.

Note In the Prime loupe — to name a few — we will wards coincide with plans by the said recently that Belize and industry in Belize to expand producer, says have been given five years he is concerned also that plans on the British British by 1992.

The problems for the Wind-' the Belize Barana Control Board, wards coincide with plans by the said recently that Belize and industry in Belize to expand producer to the barana exporters in the duction to meet a target of region should work together to prevent estimation of the British British by 1992.

This year's exports will reach about 19,000 tonnes, say industry officials, following shipment of 11,300 tonnes last year.

The land under bananas has been increased from 800 acres in 1985 to 1,182 acres, following a decision by the Government to privatise the industry, which has been carrying debts of US\$15m. The industry plans to increase planting to cover 9,000 acres by 1991.

IN A project supported by the FAO's Pacific Region Fisheries Project, live shell-fish from Fiji have been

fish from Fiti have been successfully dropped by parachute into Tokelau's Fakofo atoll, 270 miles north of Samon, and could give a substantial boost to the island's economy, writes John Madeley.

Tokelau's atolls are "desert" islands with soil that is continually exposed to sait spray and not capable of growing many crops.

Some 500 tonnes of trochus abells, which contain snails, are harvested each year in Fiji and there have been a number of attempted transplants to neighbouring islands, usually by ship. Some have ended in disaster, however, with the shell-fish not surviving the long journeys.

journeys.
For the Fiji-Tokelau attempt, "the trochus was transported using a variety of techniques" said project

official Mr Robert Gillett, "to diversify the risk of a major disaster." Accordingly, 284 live shells were packed in Fiji into a padded crate, flows the 450 miles to Fakofo on a New Zealand Air Force C130 Hercules aircraft and parachuted into the lagoon at an altitude of 100 metres; 584 shells went by ship and 161 were flown to Western Samos to join the ship-

In the lagoon the crate was picked up by project workers "and within minutes the trockus were being placed on the reaf" said Mr Gillett. There was only one fatality among the 284 shells. By contrast, 146 of the 584 shells seen by sea did not amyion. did not survive.

The eventual barvest for the 1.800 Tokelsa islanders stands to be as high as Fiji's annual catch. "In 1957," says Mr Gillett, "40



from Fili to Aitutali in the Cook Islands where, like Tokelau, trochus did not occur. In 1981-82, 200 tonnes of trochus were har-vested."

TANK RATE

ER SURREM

Aluminium producers 'near full capacity'

BY KENINETH GOODING, MINDIG CORRESPONDENT

will operate at 91 per cent of capacity this year.

"Pressure on capacity is such that some closures at high-cost plants have recently been post-poned or temporarily rescinded. Continued production at these plants has to be justified by the price level, however, and the closer the industry gets to full capacity, the higher the price necessary to persuade the remaining high-cost potlines to re-energise," says the CRU.

Antihony: European free market, drummed molybdic oxide, 3 per lb Mo, in warehouse, 2.10-2.50

BISMUTE: European free market, drummed molybdic oxide, 3 per lb Mo, in warehouse cent between 1984 and 1987 but costs in some regions - particularly the US - fell much further.

BISMUTE: European free market, min 99.99 per cent, \$ per lb Mo, in warehouse, 2.83-2.90 (same).

SELENIUM: European free larly the US - fell much further. On the other hand costs in bin warehouse, 8.50-9.00 (7.30-10).

TUNGSTEN ORE: European free cent. Sper cent.

Now the trend has been reversed, says the CRU. Smelting and increasingly is that the marginal smelters are (2.96-3.05), sticks 3.05-3.13 (2.98-10).

ANTIMONY: European free market, drummed molybdic oxide, 3 per lb Mo, in warehouse, 2.50-290 (same).

SELENIUM: European free market, sample from the costs in some regions - particularly the US - fell much further. On the other hand costs in bin warehouse, 8.50-9.00 (7.30-10).

TUNGSTEN ORE: European free market, standard min 65 per cent. Sper cent. Sper cent. Sper cont. Sper cent. Now the trend has been central further. Now

closer the industry gets to full capacity, the higher the price necessary to persuade the remaining high-cost potlines to re-energise, says the CRU.

Another factor affecting prices is that the marginal emeiters are (296-3.05), sticks 3.05-3.13 (296-3.13) is that the marginal emeiters are (296-3.05), sticks 3.05-3.13 (296-3.16).

It points out that as long as the marginal smelters were in the marginal costs market, min 99.99 per cent, \$ per lb, in market, min 99.99 per cent,

THE PRIMARY aluminium smelting industry in the non-so-cialist world is fast approaching capacity constraint, resulting in an upward pressure on aluminium is partly driven by it auggests that the smelters will operate at 91 per cent of capacity this year.

Or prices which are quoted in dollars the marginal smelter is not the direct operating cost at the located in West Germany, most highest-cost European amelter major European currencies are linked to the D-Mark.

WEFKLY METALS

All prices as supplied by Metal flask, in warehouse, 280-295

CRU estimates that last year the direct operating cost at the marginal smelter is not the direct operating cost at the located in West Germany, most highest-cost European amelter major European currencies are linked to the D-Mark.

1986 D-Marks. At the 1986 exchange rate of D-Marks.

1987 D-Marks. At the 1986 exchange rate of SI,322 a tonne to cover its production costs. This year it would require a price of \$1,506 a tonne.

Brazil to bring forward sugar exports

BRAZIL'S Sugar and Aloohol exporting told the Gazeta Mer producer is not encouraged to Institute should conclude negotic cantil, a leading Brazilian news-improve productivity. ations with exporters and

CRUDE OIL (Light) 42,000 US galls \$/berrel Close Previous High/Low

paper, that the fact that no eign buyers today to bring forward to January and February sugar exports scheduled for shipment in May and August.

The initial volume under negotiation is 400,000 tonnes, out of 4m tonnes covered by forward contracts through to 1993.

The institute's new chief, Mr Nilson Miranda Motta, put in place recently to investigate and correct irregularities in sugar price. So the inefficient sugar export to turn the institute for the exports were scheduled for the exports were scheduled for the export scheduled for the export such as the institute's responsible for the exports were scheduled for the export such as the institute's responsible for the exports were scheduled for the export such as the institute's responsible for the exports of the year was "very strange". He chose to stirtle private sector. President Jose private sector. President Jose Sarney is to consider this week a decree which would encourage the institute pays the difference between the cost of production negotiate sugar exports.

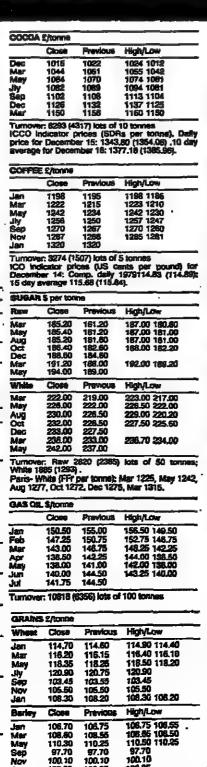
Subsidies to producers and costs of carrying sugar stocks are estimated to amount to Cz 10bn (\$149m) for 1987.

Chicago

LONDON MARKETS

NICKEL PRICES continued their recent bull run on the London Metal Exchange, with the second position contract adding £27.50 to Monday's £70 advance. Merchant buying took prices to new highs to the current uptrend in the morning. Dealers said there was no follow-through in the afternoon, when trading became subdued, although sterling values were underpinned by continued to advance. Zinc prices recovered about two-thirds of Monday's losses. Copper prices retreated in the afternoonon sporadic profit-taking in the absence of any fresh lead from New York, Dealers described the market as overbought. Gold fell to \$488.75 an ounce on the London bullion market. weakened by a firmer dollar and easie oil prices, dealers said. The decline was also partly attributed to a technical

COLLECTION II CITA	~y.			
SPOT MARKETS				
Crude oil (per barrel FOB January) + or -				
Dubai	\$15.20-15.30	-0.50		
Brent Stend W.T.I.(1 pm 660)	\$16.85-17.10 \$16.90-17.00)-0.375		
Oil products (NWE prompt				
Oil bugges fusic brouk	CHIANT A DOL O	+ 01 -		
Premium Gasoline	\$171-174	-0.50		
Gas Oil	\$152-154 \$73-74	-4.00 -2.00		
Heavy Fuel Oil Naphtha	\$143-146	-3.50		
Petroleum Argus Estimetes				
Other		+ 07 -		
Gold (per troy oz)#	\$488.75	-10.75		
Silver (per troy 02)4	677c \$497.50	-25 -14.50		
Platinum (per troy oz) Paliadium (per troy oz)	\$119.75	-3.75		
Aluminium (free market)	\$1800	+10		
Copper (US Producer)	134%-140c	+9%		
Lead (US Producer)	42c 339c	+2		
Nickel (free market) Tin (European free market)	23795	+10		
Tin (Kuala Lumpur market)	17.01r			
7in (New York) Zinc (Euro. Prod. Price)	320.50c \$880			
Zinc (US Prime Western)	44.375c			
Cattle (five weight)†	106.58p	-0.84*		
Sheep (dead weight)	200.490	-4.36		
Pigs (live weight)†	72.360	+0.14*		
London daily sugar (raw)	\$207.00w \$215.60w	+1.80 +4.40		
London daily sugar (white) Tate and Lyle export price	£218.50	+1.50		
Barley (English lead)	2108.50	-0.50		
Maize (LIS No. 3 Velicin)	£134.50	-0.50		
Wheat (US Dark Northern)	290.00			
Rubber (spot)*	62.50p	+0.50		
Rubber (Jan) 🛡	65.00p 65.00p	+0.50 +0.50		
Rubber (Feb) \$\foatie\ Rubber (KL RSS No 1 Jan)		+1.50		
Coconut ad (Philippines)§	\$542.50y			
Paim Oil (Malays:40)§	\$415.00	+10.00		
Coors (Philippines)§	\$365.00 2144.50	+5.00 +0.50		
Soyabeans (US) Cotton "A" index	2144.50 73,05c	-1.05		
Wooltops (646 Super)	484p			
C a trace unless otherwise	stated. p-pen	ce/kg.		
-c-consults r-discolifica W-C	MC(JM), Y-JM	/res.		
z-lan. y-Feb/Mar. u-lan/Mar) Mest Commission average fatstock prices. " change from a week				
ana 🛡 i andon physicai Ma	mart 5 Cit Hi			
Button market close. m-I	Valaysian/Sin	gapore		
contellen				



102.35

102.35

Turnover: Wheat 110 (320) . Barley 92 (62)

102.35

LONDON	META	L EXCH	MOE		(Prices	supplied	by Amaiga	Ameted Metal Tracing)
	Close		Previous	High/Lo	W AM	Official	Kerb do	to Open interest
Akaminia	m, 99.77	५ क्रमारेप (S per torme)				Rig	ng turnover 250 tonne
Cesh 3 months	1810		1790-1800 1740-50			0-10 5-60		2.634 lots
			per tonne)			-	Ring t	amover 15,550 tonne
Cash	981-2		971-2	985/975	880	-2		
3 months			928-9	846/929	939	40 .	944-5	54,765 lots
Copper, (1553		1570-80	1800/15	er sin	5-90	Ring t	urnover 78,550 fonne
3 months			1383-4	1380/13			1334-5	81,541 lots
Copper,	Standard	(E per a	offine)					ting turnover 0 tonne
Cash 3 months	1510- 1320-		1530-40			0-60 0-60		39 lots
Silver (U			9)					Ring tumover 0 oza
Cash	673-6		696-9		687			
3 months			709-12		700	3	Blace	843 lots
Cash	352-3		350-1	354/351	352	_	nang	turnover 5,550 tonne
3 топіля			342-3	344.4/34			343-4	11,939 lots
Mickel (£							Ring	turnover 1,350 torme
Cash 3 months	3980- 3940-	90 50	3975-85 3915-20	3950/39		5-95 5-40	3950-5	9,712 lots
Zinc (£ po	a goune)			400				turnover 4,400 tonne
Cash 3 months	460-1 482-3		449-50 451-2	481/480 464/481	460 461		483-4	13,923 lots
	_							
POTATOE	S £/ton	ne			LONDO	N BULLI	ON MARKS	T -
	Close	Previou	s High/Low		Gold (fin	e 02) \$	orice	2 equivalent
Feb Mar	103.50	102.50 87.00			Close Opening		815-489 5-4951/2	265-257 269-2501/2
Apr	145.00	144 FO	145.20 14		Morning	fbx 48	374	269 268%
Nov	86.00	157.50 63.00	158.00 15	W-30	Attempo Day's hig	n 49	5%-498%	500 m
Feb	92.50	90,00	440.		Day's lov	4 48	714-488	
SOYABEA			100 tonnes.		Coins	\$ [rice	2 equivalent
	Closs	Previou			US Eagle Mapieles	503	-508 -508	274-277 274-277
	141.00	142.50	141.00		Britannia	.500	LEOR	274-277
	133,50 123,60	134.00 128.00	132.50		Krugema: 1/2 Krug	nd 487 258	7-490 3-287	28612-26714 141-145%
Aug	121.00	122.50	121.00		1/4 Knig Angel		-137 -512	70%-74% 277-27 9 %
	121.50 124.50	122.50 125.00			1/10 Ano	al 51-	56	2734-30%
Turnover:	31 (25)	ots of 10	0 tonnes.		New Sov. Old Sov.	115	i-116 i-116 1 4	62%-63% 62%-63%
FREIGHT	FUTURE	is £/inde	x point		Noble Pla	R 518	-528	281-29614
	Close	Previou			Silver for	- APR	ne oz	US cts equiv
	1268.0 1292.5	1250.0	1277.0 12 1295.0 12		Spot	376		891.00.
Jly	1140.0 1250.0	1155.0 1255.0	1142.0 11	40.D .	3 months	384 393	.50	705.00 719.10
8FI	1250.0 1268.5	1271.0	1288.5 1288.5	~3.4 = 197 /5.h	12 months			748.20
		_		1. 101 (04)				
LOSTOCK	ETAL I	XCHAW	E TRADED O	PTIONS	COTTO	N .		
Aleminium			Calls	Puts	Liverpor	d - Spot		nt sales for the mounted to 832
Strike prior	e S torm	•	Jan Mar Ja	n Mar	tonnes a	gainst 7(22 tonnes i	n the previous
1725				85	in Color	ebien, Ru	ssien, W. Al	ed with dealings ricen, israelf and
1800			48	3	Pakkstan	ותאמום	k.	. 1
Copper (G	(A eben		Cats	Puts	JUTE The Ban	والمعاروات		control has been
Strike price		_		n Mar	increase	ð by \$10	25 a tonne.	control has been but this has not
2450				271%	yet affect and f Du	and the n ndee BT	rarket.Dede C \$570, BW	mber/Jenuary c C \$560, EYD
2650			15	0	\$495, BY BWD \$4	ND \$485;	c and f Ann	werp BTC \$530.
Copper (G	rade A)		Cafs	Puts		· ., ., ., .		
Strike pno			Jen Mar Ja	n Mar				- 1
1450			49					
							_	

SCYABEANS 5,000 bu min; cents/80to bushel Reports that Opec was adhering to production quotes set at a previous meeting, without any accomodation agreed for Iran or Iraq, prompted heavy selling in the precious metals and energy futures, reports Drexel Burnham Lambert. Precious metals met early profit-taking and the fall accelerated proint-taking and the fall accelerated as trade, fund and local selling touched oil heavy commission house stops to drive prices sharply lower. The markets penetrated significant support levels, but at lower levels short-covering emerged to pare losses. Copper finished lower store, a choppy session featuring. HEATING OF 42,000 US galls, cants/US galls SOYABEAN OIL BO,000 lbs; cents/lb Close Previous High/Low 51,30 49,85 47,00 44,90 43,80 43,10 43,75 44,60 \$3.36 51.41 48.96 46.83 45.58 44.88 44.83 19.26 19.26 19.60 19.92 20.07 20.00 19.95 19.95 20.10 19.12 19.16 19.57 19.89 20.09 20.00 79.90 19.90 20.02 19.10 19.11 19.48 19.80 19.99 20.00 18.95 19.95 20.05 19.40 19.42 19.85 20.15 20.35 20.40 20.02 20.25 after a choppy session featuring commission house selfing and trade buying. Crude oil was again lower on trade, fund and local selfing which touched off stops as traders liquidated longs. However, trade support was longs. However, trade support was evident underneath the market. Sugar reacted to buillah fundamentals, more COFFEE "C" 37,500 bs; cents/for SOYABEAN MEAL 100 tons; S/ton particularly good physical offtake in the Far East, as trade and fund buying 124.00 128.20 130.30 132.00 134.15 135.50 touched off stops in the face of producer-type selling. Meats were quiet and lower in reaction to Monday's railles and on anticipated improvements of 205.5 195.4 188.6 182.6 180.5 180.0 180.0 177.7 178.2 Jan Mar May Jul Aug Sep Oct Dec 205.1 195.0 188.1 182.5 180.0 179.0 179.0 177.5 177.5 supplies following the recent snow. **New York** SUGAR WORLD "11" 112,000 lbs; cents/lbs GOLD 100 tray oz.; \$/tray oz. Close Previous High/Low 7,62 6,04 8,06 8,09 8,12 8,25 8,40 7.77 8.36 8.33 8.34 8.40 0 8.63 184/4 188/4 183/2 186/6 195/4 183/4 200/0 495.5 497.1 500.4 480.0 0 484.5 490.5 495.0 505.5 520.0 619.5 532.0 7.95 6.26 8.24 8.25 8.29 8.34 8.54 494.2 0 499.2 506.0 512.0 510.0 WHEAT 5,000 bu min; cents/60tb-bi COTTON 50,000; cents/lbs PLATINUM 50 troy or; \$/troy oz. 304/0 313/4 307/0 294/6 297/4 306/0 211/0 215/6 310/6 298/4 300/4 307/4 53,88 64,71 64,90 62,78 61,85 62,05 62,28 Close Previous High/Low 63.35 64.19 64.41 62.57 61.40 62.42 62.70 501.8 510.4 519.4 528.4 LIVE CATTLE 40,000 lbs; cents/lbs 65.22 62.15 64.45 64.45 61.87 61.27 62.75 Dec 65.22 65.42 65. Feb 62.15 62.47 62. Apr 64.45 64.67 64. Jun 64.45 64.72 64. Aug 61.87 62.07 65. Oct 61.27 61.40 61. Dec 62.75 62.90 65. LIVE HOGS 30.000 b; cents/fbq ORANGE JUICE 15,000 lbs; cents/lbs Previous High/Low Closs Previous High/Low 697.8 899.7 705.1 711.0 721.5 731.7 741.9 757.5 762.5 773.7 167.70 186.90 160.25 164.50 164.50 162.00 157.50 157.50 166,70 167,70 166,75 166,55 166,00 162,50 158,00 158,00 168.80 168.00 188.50 166.25 0 167.30 166.50 165.65 166.00 0 705.0 715.0 724.0 733.0 743.0 0 765.0 43.40 41.85 38.80 41.77 42.65 41.50 38.40 39.30 43.15 41.40 38.70 41.60 42.40 41.30 38.40 38.40 COPPER 25,000 fbs: cents/lbs 129,00 124,00 116,25 108,50 197,70 90,70 86,20 86,20 85,90 131.95 123.50 REUTERS (Base: September 18 1931 = 100) 0 112,50 100,70 94,00 90,60 87,90 0 106.10 96.00 87.50 86.50 85.00 Dec 14 Dec 11 moth ago yr ago PORK SELLIES 38,000 ba: cants/fb 1687.8 1684.1 1700.5 1634.6 DOW JONES (Base: December 31 1974 = 100) 51 17 51.37 52.65 53.25 132.33 127.82 117.18 134.40 130.47 116.09

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Pound dips on lower oil prices

introducing any measures which would risk being domestically unpopular, in the run up to next year's Presidential election.

E IN NEW YORK

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Alterate or de where is rockes dif : 1951-51

DODES WITE

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Dec 15	Letest	Previous : Close
E Spot 1 month 3 months 12 months	1.8345-1.8365 0.03pm-per 0.28-0.24pm 1.18-1.06pm	1.8445-1.8436 0.03pm-car 0.28-0.24pm 1.18-1.08pm
Forward press	ons and discounts	apply to the US
STERLI	IG INDEX	3
·	Dec	15 Previous

CURRENCY RATES Drawing Rights

CURRENCY MOVEMENTS Sank of Englands Index

OTHER CURRENCIES

MONEY MARKETS

London rates rise INTEREST RATES rose on the

London money market yester-day, as sterling fell back against the D-Mark, and traders set up arbitrage positions ahead of today's convertible gilt tap stock

Three-month interbank rose to 84-8% p.c. from 8%-8% p.c. and there was reported to be strong bidding for 12-month money, which climbed to 9%-9% p.c. Late assistance of \$225m was also provided. Bills maturing in official hands; repayment of late assistance and a take-up of Treasury which has put downward pressure on the pound. It was suggested however that yesterday's trend may prove temporary, and that sterling should not be regarded too much as a petrocurrency. In future

as a petrocurrency. In future months the deflationary impact of lower oil prices will help off-set strong UK growth, illustrated by yesterday's industrial produc-tion figures for October. Borrowing to set up positions in preparation for today's gilt

UK clearing bank base tending rate 5½ per cent from December 4

tender may have also contributed to the general upward move
Central Bank accepted bids of I
in rates.

Abn at an unchanged 4.5 p.c. a

in rates.

The Bank of England initially a tender for six-day special forecast a money market short age of \$550m, but revised this to \$500m in the afternoon. Total help of \$600m was provided.

4.4bn at an unchanged 4.0 p.c. a at an england special specia Before lunch the authorities was covered by the normal bought \$187m bills outright, by credit quota.

in London. Much of the late demand was due to end of year book squaring. There is just no incentive to take a position one way or the other, one dealer claimed.

Earlier in the day sentiment had been influenced by suggestions that the US authorities were unlikely to take any action to support the dollar. This was seen as a political move to avoid sentent belief the dollar in 1987 is from a lot 1.9305 to 1.6310. November down from a verage 1.6809. Exchange and Y128.6 in the dollar in 1987 is from a lot 1.9305 to 1.6310. November down from a verage 1.6809. Exchange and Y128.6 in the dollar in 1987 is from a lot 1.9305 to 1.6310. November down from a verage 1.6809. Exchange and Y128.6 in the dollar in 1987 is from a lot 1.9305 to 1.6310. November down from a verage 1.6809. Exchange and Y128.6 in the dollar in 1987 is from a lot 1.9305 to 1.6310. November down from a verage 1.6809. Exchange and Y128.6 in the dollar in 1987 is from a lot 1.9305 to 1.6310. November down from a verage 1.6809. Exchange and Y128.6 in the dollar in 1987 is from a lot 1.9305 to 1.6310. November down from a verage 1.6809. Exchange and Y128.6 in the dollar in 1987 is from a verage 1.6809. Exchange and Y128.6 in the dollar in 1987 is from a verage 1.6809. Exchange and Y128.6 in the dollar in 1987 is from a verage 1.6809. Exchange and Y128.6 in the dollar in 1987 is from a verage 1.6809. Exchange and Y128.6 in the dollar in 1987 is from a verage 1.6809. Exchange and Y128.6 in the dollar in 1987 is from a verage 1.6809. Exchange and Y128.6 in the dollar in 1987 is from a verage 1.6809. Exchange and Y128.6 in the dollar in 1987 is from a verage 1.6809. Exchange and Y128.6 in the dollar in 1987 is from a verage 1.6809. Exchange and Y128.6 in the dollar in 1987 is from a verage 1.6809. Exchange and Y128.6 in the dollar in 1987 is from a verage 1.6809. Exchange and Y128.6 in the dollar in 1987 is from a verage 1.6809. Exchange and Y128.6 in the dollar in 1987 is from a verage 1.6809. Exchange and Y128.6 in the dollar in 1987 is from a verage 1.680 £1.5344 £1.5404 £1.0981 £1.3674 £1.5012 £1.6684 £4.0752

Opc.15	Day's spread	Gless	One ments	PA.	Three	10.E
therisada	1 3500-1 8950 2 23999-2 4071 3 259-3 37 6 240-62 75 11.494-11.577, 1.1185-1 1285 2.984-2 2594 243-24-245.68 302.18-202-97 21999-2209 11.654-11.727, 10.113-10.155 10.113-10.155 10.113-10.155 10.113-10.155 10.113-10.155 2.524-243,	18305-18315 2.3945-2.3975 3.355-3.365- 62.25-62.65 11.495-11.503 11.225-11.235 2.394-2.695 2.303-2.44-30 2.220-2.201- 11.655-11.665- 10.115-10.125, 10.115-10.125, 10.115-10.125, 10.115-10.125, 10.115-10.125, 10.115-10.125, 10.115-10.125, 10.115-10.125, 10.115-2.105, 2.425-2.435,	0.02-0.04cm 0.05ds-0.04cm 12-12cm 8-10cds 14-22-credis 0.05-0.02cm 13-15dcas 35-67-cds 5-8irodis 5-13-cds 5-13-cds 5-13-cds 5-13-cds 5-13-cds 5-13-cds 5-13-cds 5-13-cds 5-13-cds 5-13-cds 5-13-cds 5-13-cds 5-13-cds 5-13-cds	64456464646466666666666666666666666666	0.19-0.15pm par-0.12as 32-3pm 25-24pm 34-31-24s 6.10-0.07pm 275-4.13ds 18-20ds 18-20ds 17-18-3ds 11-3-3ds 12-2-3pm 22-19-3pm 23-2-2-3pm	の日本の日本の日本の日本の日本の日本の日本の日本の日本の日本の日本の日本の日本の

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

December 15	Dey's	1		, %	Tiret	, %
27 .	spread	. Clear	One mostle	pa.	months	P.R.
UK+	1.8300-1.8450	1.8905-1.8915	0.02-0.04pm	-0.20	0.19-0.25	0.57
(reland)	16292-16358	16315-16325	0.02-0.06cds	-0.29	0.16-0.06pm	0.27
Canada	1.3045-1.3075	1.3065-1.9075	0.04-0.01cpm	0.23	0.14-0.1766	0.47
Netherlands . Belgister	1.8255-1.8365 34.00-34.25	1.8345-1.8355	0.70-0.65cpm	4.42	1.66-1.61pm	157
Designer	4.50-5.28%	\$4.15-34.25 6.28-6.28%	7.00-4.00cpm 0.10-0.60credia	12	14.00-9.00pm 1.90-2.60da	1.17
W. Sermini	1420-1432	1,4305-1,6315	0.70-0.67s/see		1.07-1.3200	1 7 3
Portugal	133-1334	1334-1334	50-85cd	5.05	175-2354	411
Seale	110.04-110.40	110.30-110-40	20-40cds	J.W.	100-140ds	136
italy	1196-1205	12011-12024	3.00-4.00tireds -	-335	9.00-12.00ds	330
Norsely	6.337-6.37		3.30-3.65uredis	4.56	20.15-10.55db	4.0
Piance	350-5.530	1527-533	0.50-0.70mls	-130	1.70-2.00dg	134
Sweden	1.90-5.931	293-5934 127-50-127-60	0.20-0.35cmds	-0.36	1.50-1.50dg	-111
Anstria	126.75-127:70	11.47-11.48	0.48-0.45ypm 5.00-3.00gramm	439	1.24-1-19mm 12.00-9.00mm	恐
	13170-13275	13275-1.3285	0.55-0.50ccm	4:76	1.42-1.37pm	1.12
THE REAL PROPERTY.		-,-		-		
the part leaf	and are gooded in U	S correctly, Forgue	d primiting and the	يترج يالعون	to the US dellar	

Dec.15	Short term	7 Days police	(hee Marith	Three Months	Site Months	Day - Year
 Suer-ling U.S. Dodor U.S. Dodor O. Gentler S. Gentler S. Franc Devisionant Pr. Franc Institution B. Fr. (End.) Yes D. Fr. (End.) Yes D. Krung Asten SSieg	13: 17: 17: 15: 15: 15: 15: 15: 15: 15: 15: 15: 15	4304-75554544 6304-36064438	のでは、 のでは、	STATE STATES	-	を表現では、一つでは、 では、ないない。 では、ないない。 では、ないない。
Long term Euroc	ioliars: two yes	rs 87-85; per	mat; three year	S GIL-9 per con	t; four years 9	The pay man

fire years 95-79, per cost somicat. Short terms mass are call for US Dollars and Japanese Yoli; of calls of calls. EXCHANGE CROSS RATES										čliety, Cari	
	Dec.15	2	\$	DM	Yes	F Fr.	8 Fr.	HFL.	Line	C S	å Fr.
		0.546	1.833	2.988 1.631	游	10.12 5.528	2.433 1.328	3.360 1.835	2201 1202	2397 1309	62.60 34.20
	DHA YEN	0.335 4.283	0.613 7.842	1279	78.16 1000.	3.367 43.34	0.814 10.42	1125	736.7 9426.	0.802 10.27	20,95 268.1
	# Br.	0.988	1.809 0.753	2.952 1.228	230.7 95.99	10.	2.404 1	3.320 1.381	2175. 904.8	2.369 0.985	61.86 25.73
	H FL Line	0.298 0.454	0.545	0.889 1.357	69.49 106.1	3.012 4.598	0.724 1.105	1.527	655.1 1000.	0.713 1.089	18.63 28.44
	C S	0.417	8.764 2.525	1246	97.41 373.0	4.222	1.015	1.402 5.367	918.2 357A	3,829	24.12 100

Yan per 1,000: French Fr. per 19: Link per 1,090: Be

In the afternoon \$191m bills were purchased outright, through £131m bank bills in band 1 at 8% p.c.; £1m local authority bills in band 2 at 8%

-	" Nd 8%				
	11.00 a.m. D	eclā) Jr	nontes US dollars	6 mont	s tis Dotars
Ħ	LONDON	INTER	BANK FIXING		
igian Fr	per 100.				

way of \$143m bank bills in band Westmister Bank, Bank of Tolgo, Dent 1 at 8% p.c. and \$44m bank bills in bank bills in bank 2 at 8% p.c.

MEILL VARY						
MEW YORK (Lunchtime)		One musth Two pomb		ills and Book 3.15 Tares 5.29 Exerc	os : jear year	82 84 86
Prime rate Broker toan rate Fellinats Fellinats at intervention	8.75	Three weath Six month Day year Two year		6.24 Fire 5	year	86 89 91 93
Dec.15	Overnight	(Ine Month	Two Monits	Three Months	Stx Months	Lonteau Intervent
Frantsiert Paris Paris Zurieb Amsterden Tokyo Mille Brussels Datolin	240-3.00 8.3125 1.00 4.50 9.96375 10.00 1.40 8.375	3.60-3.75 8.25 4.00 4.5625 4.03125 11.625 6.8125 8.4375	3.60-1.75 8.4375 8.625	360-375 86875 375 48125 11.625 6.875 8.75	3.45-3.80 8.9375 9.125	458
	-					

target of £165m.	LONDON MON	IEY BAT	E3		-/		
In Frankfart the money mar- ket expects a drain on liquidity by the end of the week, but	December 15	Overnight.	7 (10)	Nos	7	Str Monts	One Year
remained very comfortably placed vesterday. Call money fell	Interhank Otler Interhank Bid Storling CDs	9.00 5.00	8.50 8.25	8.50 8.50 8.4075	8.6875 8.5625 8.625 8.50	9.00 8.75 8.8125	9.3125 9.0625 9.0625
to 2.95 p.c. from 3.05 p.c., with banks generally reluctant to take	Local Authority Beps Local Authority Bonds	8.375	8.375	R.MCS	84875	8.75 8.75	9.0625 9.0625
up the Bundesbank's offer of	Discount Mid Deps	. 8.625 8.50	8.375 8.50	8.375 8.30 8.50	8.00 -	8.875	9.25 9.25
three-day Treesury bills at 3 p.c., for fear of tying up funds as	Trebony Silk (Day)	: :	:	8.50 8.375 8.375	8.625 8.625 8.375 8.375	9.125	9,25
money becomes much tighter later in the week.	Bank Bifks (Bay) Fine Trans Bifks (Buy) Dollar CDs	:	1	8.375 8.65-8.60	8,375 8,375 8,30-8,25	8.3625 8.30-8.25	8.55-8.50
In Amsterdam the Dutch	SDR Listed two USter	:	-	6.875	6.75 6.50	6.75 6.50	6875
Central Bank accepted bids of FI	ECU Linked Dep Dries ECU Linked Dep Bid			7.3125 7.1875	7.25 7.125	7.25 7.125	6.625 7.3025 7.3875
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FINANCIAL FUTURES

Gilt futures fall ahead of tap

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STERLING LOST ground in very thin trading yesterday. Sentiment was influenced by a fall in oil prices, following opec's fall in oil prices, following years of the fall in oil prices, following years

Suggestions that Opec will not stick to the compromise production quotas agreed at this week's meeting in Vienna put downward pressure on oil prices and the pound.

Evidence of continued strong growth in the UK economy also increased fears about inflationary pressure next year. A rise of 0.9 p.c. in October UK industrial production was towards the top end of forecasts, while manufacturing output was also seen as buoyant, rising 1.1 p.c.

An upward trend in London interest rates, partly for reasons associated with the tap, but also because of sterling's decline, added to the slide in gilts and short sterling futures. March short sterling futures.

pits closed at 116-15, compared with 117-13 on Monday. Three-month sterling for March delivery also opened higher at 91.24, and finished at the day's low of 91.01, against the previous settlement of 91.20.

US Treasury bond futures were bid up with the opening of trading in Chicago. This followed the fall in oil prices, leading to increased optimism about the prospects for US inflation. Gold's failure to consolidate above \$500 also added to the better senti-

ment in bonds. March delivery bonds closed just below the day's peak on life at 84-28 compared with

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Tel: 01-828 7233/5699 Reuters Code: IGIN, IGIO

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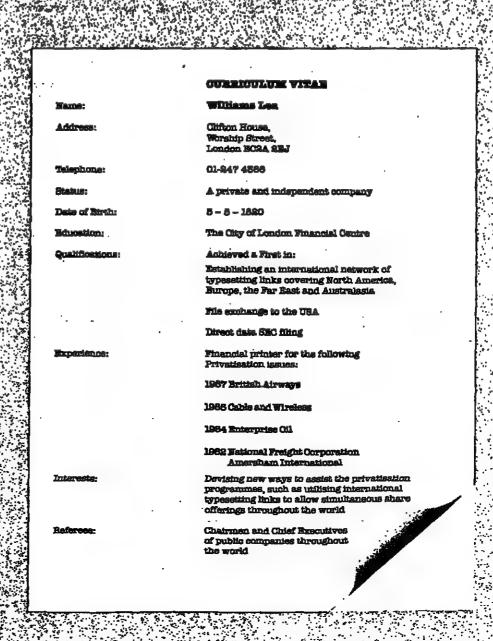
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First Declara-Dealings Dec 18 Jan 18 Feb 1

A TOUCH of the festive season equity market yesterday through the courtesy of Wall Street which overnight recorded its the economy the market gave best rise for some weeks. Inter-national stocks and other blue chips moved sharply higher from the opening and London traders

Renewed corporate raiding & down on the session activity inspired further confiactivity inspired further confidence with the spotlight temporarily diverted from the Oil and energy sector to Properties. The former continued to attract considerable business awaiting further developments, expected today, in the intriguing Britoli situation.

All down on the session. Early indications suggest there will be some retail interest for the new tap stock, Treasury 8 per cent Convertible 1990. Tenders for the £1bn issue must be submitted by 10 am this morning at a minimum tender price of £98, payable £50 per cent on tender.

All was going well until the late-morning announcement of the industrial production figures for October. These exceeded the best estimates with manufacturing output showing a rise of 1.1 per cent and industrial production up by 0.9 per cent. But shortly afterwards the market began to backtrack as fears revived of the economy overheating.

Interest started to fade and so did the rise in the "Footsie" index - finally 17.4 higher at 1670.0 - aithough selected stocks continued to warrant attention after a slightessing in the rate of the equipty sector. But Britoil held pride of place as the most intriguing situation. The shares raced up 21 more to 392p on a turnover of more than 1670.0 - aithough selected stocks will be in the region of 530p- is favourises to leave the favourises to leave the situation.

after a slighteasing in the rate of exchange. Sterling drifted lower on thoughts that the Opec pledge on thoughts that the oper progretion was a compro-mise agreement which would be unlikely to stop crude oil prices

Analysts were more hopeful of Federal Reserve Board officials mapping out a monetary policy at yesterday's meeting that would nudge the US authorities into taking positive action over the dollar.

into taking positive action over the dollar.

The UK investment institutions continued to maintain a low profile. Most preferred to remain liquid but one large investor spent some £62.5m, buying a 12.2 per cent stake in property group Great Portland Estates. For many years the company has been regarded as a prime takeover target.

was additionally fuelied by heavy and persistent buying of Britoll by securities house Salomon Brothers which were believed to have bought upwards of 10m shares.

British Gas, long rumoured to be interested in acquiring Britoll, were thought to have faded out of the running.

BP "new" shares attracted a huse turnover of over 1944.

prime takeover target.
Ruminating on a day which failed to live up to its early investment Office were well promise a leading trader said within sight of completing their this is a shooting gallery at the mammoth task of acquiring a 15 moment with cash-rich corporate mammoth task of acquiring a 15 per cent stake in BP. Much of raiders pouncing on the market the activity in BP new was for their prizes. In the current transacted through the tradidi-

Leading shares back off from best levels after

firmer initially on the prospect of lower oil prices but domestic retail demand was soon satisfied and prices came back. A bout of selling preceded the latest indus was bequeathed to the UK trial production numbers, equity market yesterday through announced at 11.30 am, and following the revived doubts over

fresh ground.

Although both short and longer-dated bonds edged away from the lowest levels, unfashionable medium-life stocks still were soon nursing hopes of the market maintaining the forward momentum until the Christmas break. By 10.45 am the FT-SE 100 share index was 28.6 up at 100 Gilts, and selected issues ended

BP were favourities to launch the first full bid for Britoil, after 9.30 am today when the 300p a share tender offer expires. But' there were numerous stories circulating that a full offer from Atlantic Richfield is on the cards after the Takeover Panel's rejection of Arco's attempt to buy up to 49.9 per cent of Britoil. Talk of a full bid from a US oil company was additionally fuelled by

huge turnover of over 184m shares - traders said the Kuwait for their prizes. In the current transacted through the tradidi-environment, marketmakers are tional methods, as opposed to the running their trading books at Inter-broker dealing system of less than half of the pre-crash levels so a sizeable purchase early stake-building was carried linevitably touches off a chain-re-action in the share price.

UK Government stocks went unchanged at 245p.

latest economic statistics

	Dec.	Dec	Dec	Dec.	Dec	Year	19	67	Sleet Compilation		
	15	14	11	10	9	Ago	High	Low	High	Low	
Government Secs	87.98	87.94	88.37	88.94	B9.17	82.30	93.32 (8/5)	83.73 £19/100	127.4 (9/1/35)	49.18 (3/1/75)	
Fixed laterest ,	96.05	96.01	96.21	96.52	96.49	89.25	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)	
Ordinary 🕈	1332.0	13124	1310.7	1285.0	1297.6	1279,6	1926.2	1232.0 (9/11)	1926-2 (16/7/87)	49.4 (26/6/40)	
Gold Mines	327.5	336.0	327.3	324.3	32A.B	316.6	497.5 (4/8)	261.6 (6/11)	734.7 (15/2/83)	43.5 (26/10/71	
Ord. Div.Yield	4.70	477	4.72	4.83	4.78	4.47	S.E ACTIVITY				
Earnlags Yld. %(full)	11.74	11.87	11.68	11.95	11.85	10.60	1	ndices	Dec.14	Dec.11	
P/E Ratio (net)(*) 10.43 SEAQ Bargaiss (5pm) 21,238		10.32 21,883	10.48 23,258	10.24 25,469	10.33 21,136	11.58	Equity Bargains		111.8 151.3 1889.1	96.2 168.4 2665.8	
Equity Terrover (£m)		934.61 23,344 350.0	1318-86 25,993 616-4	1149.41 25,222 588.8	1042.39 23,463 523.7	1360,01 61,657 703.9	Gilt Edged Equity Barg	Sargains alis	109,7 159,4 2298,2	116-2 157.0 2181.6	
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Day's High 1337.6 Day's low 1320.4 Basis 100 Gost. Secs 15/10/26, Fixed Int. 1929, Ordinary 1/7/85, Gold Mines 12/9/55, S E Activity 1974, * HE=10.30

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-0898 123001

was Overseas Strategic Invest-ments (OSI), an Australian-listed paper, packaging and overseas investment company.

OSI's major shareholder is the

per cent.

Beecham moved nearer cen-

Bulk production capacity for Reiiflex at Beecham Pharmaceu-

ticals factory in Ayrshire is to be more than doubled over the next

50 38 27

300 45 330 27 360 14

58 45

65 48 57 40 27

Tricentrol, currently under seige from French oil group Elf 38 higher at 306p.

Which is bidding 145p a share after last week's dawn raid, Estates excited several other moved up 8 to 174p following Property issues including news that fellow Wytch Farm Peachey, up 15 at 360p. The section of the property is to the property is the property is the property is the property of the property is the property of the property is the property in the property is the property of the property is the property of the property is the property in the property in the property is the property in the property in the property is the property in the property in the property is the property in the property in the property in the property is the property in the prop Property issues including Peachey, up 15 at 360p. The sec-tor was also featured British participant Premier has been building a near 5 per cent stake in Tricentrol since October 21-the week of the Black Monday tor was also featured British
Land which responded positively to interim profits well in
excess of market estimates, BL
ended 12 higher at 255p.
Redfearm featured a jump of
56 to 425p as Mr Ron Brierley's
IEP Securities revealed that the
major part of the stake (20.5 per
cent) in the company had been
sold at 450p per share. The buyer
was Overseas Strategic Invest-

Other oil shares were mixed but movements were generally more to do with takeover sentiment than the compromise agreement reached by OPEC del-egates in Vienna on Monday evening Brent crude for January delivery remained under presdelivery remained under pressure and fell back another 20
cents to \$17 a barrel after the
OPEC limitation on output. Brokers' reactions to the OPEC
accord ranged from "neutral" to
"unimpressive" to a plain "this is
bad for the market".

Calor Group were well bid on
persistent talk that an offer is in
persistent talk that an offer is in
Redfearn now amounts to 29.95

kers' reactions to the OPEC accord ranged from "neutral" to "unimpressive" to a plain "this is load for the market".

**Calor Group were well bid on persistent talk that an offer is in the offing - the shares jumped 18 to 473p - but "take-profits" advice left Enterprise 7 off at 264p and LASMO a shade easier at 275m. restage following the announcement of expansion plans for the drug Relifiex. The group recently introduced this prescription only medicine which is used to reduce pain and inflamation caused by rheumatoid and esteoarthritis.

Bulk production capacity for

UK property group Great Portland Estates were the lat-est target for a market raid. The shares surged higher at the out-set as Warburg Securities, on behalf of one institutional client, hid 320p was share for 19 25m bid 320p per share for 19.25m shares, representing about 12.2 pent cent of the company's equity. Warburgs completed the business with the minimum of fuse and Great Portland Estates

many and Eire. The shares of Beecham rose 11 to close at 458p

Burton were the most actively traded stock in the stores sector with turnover expanding sub-stantially to the 12m mark. The stantially to the 12m mark. The share price edged up to 225p dur-ing initial trading, helped by a batch of buy recommendations from leading broking firms -Kleinwort Grieveson list Burton as top of the retailers and Wood Mackenzie reiterate their strong

sasessment of the stock.

But the shares suddenly came under heavy pressure in mid-session when two lumps of 1m-plus sion when two lumps of Im-puts shares were sold at 224p. These sales triggered a fresh spate of markets rumours regarding Burton's acquisitions during the past couple of years and the shares dropped sharply to 215p amid hectic trading before rallying late to close a net 6 off at 217p. Plessey attracted a heavy turnover with 13m shares mov-

NEW HIGHS AND LOWS FOR 1987

recently reduced its stake in the company by 5m shares to 49.19m shares, or 6.65 per cent of the

issued capital.

But yesterday's activity was largely carried out via the Interbroker dealer system, with trad-ers convinced that another fairly large selling order was being easily absorbed by marketmakers.

Commercial Union, the com-

posite insurance group, held pride of place in a generally buoyant insurance sector. Recent stories of a stake-building exercise grew in substance with forman talk that "down-under" mer talk that "down-under" groups have been upping their holdings in the company replaced by rumours that West German insurance group Allianz is about to launch a dawn raid on the company after building a

stake in recent days.

John Spalvin's Adsteam group
was revealed by CU recently as
being behind recent stake-building operations which are thought to have given the Australian group a near 5 per cent holding in CU.

In CU.

Banks turned easier at the close with Barclays finally 11 off at 435p, and Midland 8 lower at 227p, the latter following the bank's announcement that the \$916m third world debt provision is now to be treated as an exceptional item rather than as an extraordinary item as an extraordinary item as

announced in July.
The Commercial Union stories boosted other composite insurances where General Accident added 25 to 833p and Sun Alliance 18 to 812p. In brokers Minet remained at a substantial discount to the agreed cash bid from US group St Paul and the shares dipped 5 more to 438p. Bid speculation boosted Willis

Bid speculation boosted Willis Paber 10 to 213p.
Company trading statements generated occasional interest in the Brewery sector. J.A Deventage responded to the better-than-expected preliminary figures with a rise of 23 at 266p while a County Nat West buy recommendation after the interim results helped lift Fuller Smith and Turner 20 to 456p in a limited market.

ting through the SEAQ system as a limited market.

Contrary to recent trading sestions, market makers were able Guardian Royal Exchange had to report genuine support for

selected leading Building issues and prices responded quite smartly. George Wimpey highlighted the sector, rising 10 to 232p amid strong dawn raid rumours, this in spite of the company denying any knowledge of any potential suitor. Other Construction issues also moved higher, Taylor Woodrow

Developments gaining 5 to 170p. Marley, boosted by a broker's recommendation, put on 5 to 130p, while Blue Circle improved 10 to 325p and BMC put on 7 to 395p.

Advanced 8 to 218p on the encouraging tenor of the chairman's statement at the annual meeting.

The mood in the Motor sector was altogether more optimistic.

Jaguar, despite reports that the

Elsewhere. Bett Brothers company may be replaced as a added 3 to 83p in reply to good preliminary figures, but Ibstock Johnsen slipped 3 to 14p amid reports that some 6m shares had attracted revived demand and come on offer rise harbors Caree.

hold site to Japanese group Kumagai Gumi UK for \$23. Leading Foods displayed mod-

est improvements, virtually without exception. Tate and Lyle rose a further 10 to 695p, while S. & W. Berisford added while S. & W. Beriaford adden 4 to 278p. Rowntree, boosted by currency influences, picked up 8 at 432p and Rillsdown added 2 more to 265p. ASDA-MFI found support at 165p, up 5. Among secondary issues. John Perkins Meats gained 18 to 78p following excellent annual results, but Jack Israel shed 2 to 23p despite increased half-year prof-

With the exception of Glaxe, which drifted back 12 further to 969p in the wake of the chairman's warning about currency influences on the company's accounts, International stocks made a brighter showing. Once again, the amount of trade left much to be desired, but sentithe company's anti/Aids drug Retrovir.

Cookson, up 16 at 492p, reflected the sale of its 20 per

cent holding in Paul Madeley (Holdings) to Ward White for \$5.4m cash: English China Clays traded firmly awaiting todays traded tirmly awaiting todays preliminary figures and closed 10 to the good at 394p. Analysts are looking for pre-tax profits in the region of £110m. A squeeze on bear positions left Pearson with a sharp gain of 20 moved higher, Taylor Woodrow at 660p. Smiths Industries rising 8 to 327p and Barratt advanced 8 to 218p on the

reports that some 6m shares had come on offer via brokers Cazenove and were subsequently placed with institutional clients. Steetley were supported at 1297p, up 10, while Meyer Intermational continued to attract buyers and rose 15 to 331p, a two-day gain of 28. Vibroplant moved up 45 to 575p in a restricted market and Wilson (Connelly) rose 11 to 286p.

moved up 45 to 575p in a restricted market and Wilson (Connolly) rose 11 to 296p.

The rise on Wall Street overnight and a steadier US dollar prompted support for ICI which rallied to £10% prior to closing % higher at £10%. Laporte picked up 13 at 245p, while Plysa firmed 3 to 147p following satisfactory half-year figures.

Moss Bros. spurted 160 to 890p, after 900p, following the announcement that the company had sold fits Covent Garden freehold site to Japanese group Kumagai Gumi UK for £23.

Leading Foods displayed modest improvements, virtually

Group has acquired a 10 per cent holding in the company. The announcement was accompanied by a proposed acquisition.

Traded option activity remained in relatively low key.
Contracts totalled 19.274, made

up of 12,827 calls and 6,447 puts.

Marks and Spencer were
active attracting 1,366 calls and
1,908 puts. The FTSE contract ered 521 calls and 737 puts.

Traditional Options

• First dealings Dec 14 Last dealings Dec 31
Last declarations Mar 17 For Settlement Mar 28
 For rate indications see end of London Share Service

made a brighter showing. Once again, the amount of trade left much to be desired, but sentimuch to be d

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FT - ACTUARIES INDICES

These indices are the joint compilation of the Financial Time

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9 Me 10 Ou 21 CO 22 Br 25 Fo 26 Fo 27 He 29 Le	otors (14)	240.96	+8.6	10.14	4.82	11.90	12.48	414.35	419.72	402.74	348,97
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21 CG 22 Br 25 Fo 26 Fo 27 He 29 Le	INSUMER GROUP (182)		+0.7	8.67	4.32	13.70	37.65	1183.76	1186.32	1152.93	1176.58
22 Br 25 Fo 26 Fo 27 He 29 Le	rewers and Distillers (21)	984.29	+2.8	8.83	3.68	14.42	24.88	974.72	976.31	955,93	934.35
25 Fo 26 Fo 27 He 29 Le		939.35	+0.2	11.02	4.08	11.43	24.09	937.56	930,47	916.60	934.57
26 Fo 27 He 29 Le	ood Manufacturing (23)	807.32	+1.2	9.47	3.99	13.58	22.50	797.66	792.29	-775.A4	734.27
27 He 29 Le	ood Retailing (17)	1990.65	405	8.62	3.05	16.63	47.36	1980.80	1964.89	1918.98	1835.15
29 Le	ealth and Household Products (10)	1692.76	+1.0	6.94	2.65	17.20	33.67	1675.23	1719.63	1786.21	1568.32
	ristre (29)	1866.13	+1.0	8.19	4.37	15.25	29.83		1048.29	1827.64	967.71
31 Pa	ackaging & Paper (16)	469.62	+1.5	8.97	3.86	14.67	12.53	462.58	462.15	53.57	483.64
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	lores (35)	812.77	+0.5	9.27	3.73	14.47	20.18	808. 67	814.05	788.87	818.80
35 Te	extiles (16)	575,72	+3.5	11.42	4.09	10.09	17.60	556.19	553.44	534.82	511.54
40 91	THER GROUPS (87)	803.79	+18	11.49	4.63	10.82	22.64 17.18	767.77 948.68	785.29 953.38	774,99 924,22	799.20
41 Ag	gencies (17)	972.80	+25	7,20	2,47 4,63	17.75	33.55	962.31	973.85	977.65	1906.32
42 Ch	hemicals (21)	1010.97	+29	10.00	4.87	10.33	28.57	1042.47		1017.95	1100.32
43 Co	onglomerates (13)	1669.95 1659.85	+24	10.27	4.97	12.77	57.73	1624.15	1637.61	1607.61	1513.78
	hipping and Transport (11)	835.50	+0.7	12.89	5.06	16.33	20.21	129.69	828.69	816.48	MD 17
	elephone Networks (2)	1076.48	+0.8	14.02	4.35	8.49	34.90	1057.22	1000.45		1185.57
	liscellaneous (23)			9.98	4.07	12.62	23.54	252.16	85047	833.59	86111
	(DUSTRIAL GROUP (483)	863.70	+14				65.84	1612.85			
	il & Gas (17)	1631.69	+1,2	10.18	6.83	12 13					
59 50	00 SHARE INDEX (500)	928.81	+1.3	10.61	4.36	12.54	27,18	916.65	917.03	897.28	
61 Fi	NANCIAL GROUP (121)	684,22	+9.9	-	5.18	- 1	22.25	598,94	595,92	586.68	606,92
62 Ba	anks (8)	603.78	-11	22.89	6.48	5.95	26.94	610.37	609.45	683.63	670.67
65 lm	surance (Life) (8)	898.16	+0.6	_	512 557	-	32.56 20.16	893.05 483.47	880.92 473.20	862.39 463.29	854.12 452.17
66 lm	surance (Composite) (7)	494.62	+2.3	13.21	6.84	9.69	40.26	227.18	232.95	822.03	1155.41
	surance (Brokers) (8)	340.37 311.72	+16	1521	4.57	7.07	10.09	310.11	311.57	305.65	341.35
68 M	erchant Banks (11)	930.04	+2.8	5.63	329	22.68	22.08	984,78	905.86	887.78	802.18
	roperty (49)	354.94	+0.3	10.22	4.46	12.37	11.96	152.20	7254	348.97	
			+1.3	1022	3.27		17.52	762.03	760.52	752.99	269.39
	westment Trusts (87)	771_78 436.91	-25	20.41	391	18.83	12.77	442.97	426.19	430.77	328.89
81 M	lining Finance (2)	912.85	+22	9.90	5.67	11.85	37.90	293.48	884.25	873.75	754.71
91 0	verseas Traders (10)						25.52	\$32.14	831.0A	814.17	212.18
99 AI	LL-SHARE INDEX (720)	842.23	+1.2	-	4.45						
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ំ ! គ	T-SE 100 SHARE INDEX 4	1670.0		1651.2	1661.0	1457 6		7/20/	1639.5	2/0/ 4	

FIXED INTEREST								AVERAGE GROSS REDEMPTION YIELDS			Mon Dec 14	Year ago (approx.)
_	PRICE (MDICES	Tue Dec 15	Day's change %	Mon Dec 14	xd adj. today	nd adj. 1987 to date	1 2	Coupons 1	5 years	8.84 9.65 9.47	8.81 9.61 9.41	9.88 10.43 10.43
2 3 . 4	British Government 5 years 5-15 years Over 15 years Irredeemables All stocks	123,29 138,03 144,88 160,27 135,25	-0.42	123.38 138.49 145.76 160.95 135.66	0.23	10.83 13.16 12.80 13.59 12.41	5 6 7	Medisus Coupons 2 High Coupons 2	5 years	9.50 9.84 9.66 9.57 9.98 9.72 9.29	9,45 9,79 9,60 9,52 9,93 9,66 9,25	11.18 10.80 10.47 11.23 10.98 10.53
7	inter-Linked 5 years Over 5 years All Stocks	124.40 117.02 117.45	+0.01 +0.01	124.49 117.01 117.45	-	218 315 3.06	15	Inflation rate 5% inflation rate 5% inflation rate 10% inflation rate 10%. Dels 4.	Syrs Over 5 yrs Syrs Syrs	3.19 3.95 10.82	2.82 3.88 3.18 3.95 10.82 10.86	3.83 3.77 2.23 3.59
10	Debentures & Laure Preference	117.46 85.50		11.7.46 85.50	-	19.64 6.15	17	Preference	15 years	10.86 10.89 10.60	10.69	

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New York Corpt., BANKS (3) Business by

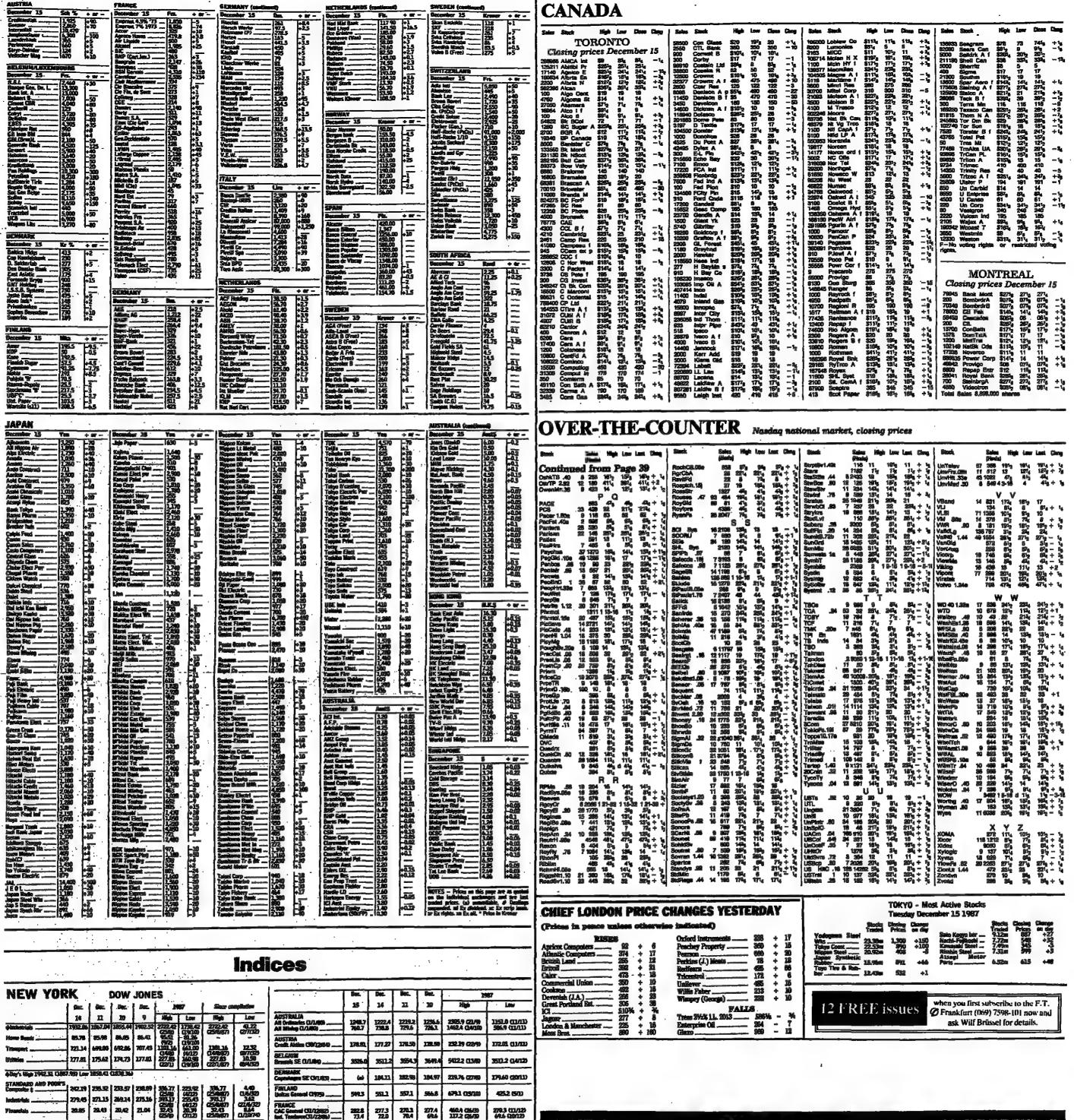
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Truss, Goods Durrant, BURLIDWON

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TOTAL CHICAGO, CH two years, at a cost of over £3m.
This is to meet growing demand
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available in the UK, West Ger-**LONDON TRADED OPTIONS** TRADING VOLUME IN MAJOR STOCKS 쁏 9 17 25 40 90 140 190 95 125 165 195 **LONDON RECENT ISSUES** 5 9 13 EQUITIES 300 330 360 48 36 Sears (*128) 80 105 145 IXED INTEREST STOCKS 50 40 30 30 18 9 Paid up 250 F.P. F.P. \$91.54 : 98 100 102 Feb. May Aug. 11 23 30 17 32 40 30 47 53 70 57 42 Latest Remot Date Paid up

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Advance checked by profit-taking

Wall Street

A STRONG opening rally failed to maintain its momentum yes-terday as investors started taking profits after the substantial rise n the market over the last week, uriles Janet Bush in New York.

The Dow Jones Industrial Average closed only 8.62 points higher at 1.941.48, well down on its morning highs which had seen the index peak at 1.969.00, a gain of more than 36 points. In the previous six trading sessions, the index had risen more

sions, the index had risen more than 160 points and some profit-taking was inevitable. This week's rally has been fuelled partly by futures-related comput-er-buy programmes and partly by renewed optimism about the inflation outlook given sharply

lower oil prices.
The December Standard and Poors 500 futures contract was trading at a one point premium to the cash market yesterday and the march contract commanded a two point premium, triggering the sale of futures contract and purchases of each stocks Volume was relatively high yesterday with more than 216m

prices and the Treasury's bench-mark 8.875 per cent 30-year issue

closed around 1% points higher to yield 9.207 per cent.

Both bond and equity markets are, to some extent, focussed on the meeting yesterday and today

Both consumer to work and the latest data for consumer prices.

The oils sector remained weak yesterday as oil prices declined sharply. Exxon closed \$% lower

any cines to the stance of monetary policy.

The various economic indicators used to signal the tightness or looseness of policy are tending to give mixed signals, suggesting that if anything the Fed will wait for more concrete indications of inflationary pressures

\$37%.

Among blue chips, IBM gained \$% to \$116, Eastman Kodak was \$% higher at \$49% and Proctor and Gamble edged \$% higher to close at \$86%.

Bell & Howell shares fell \$% to \$60 after news it had agreed to sell itself to a graph lad agreed to sell itself to a tions of inflationary pressures and economic growth before adjusting policy.

While the weakness of the dol-lar after last week's announce-

ment of a record trade deficit in October suggest, if anything, the Fed should err towards tightening policy, other indicators sug-gest the Fed may even have scope to ease if necessary.

Researchers at Griggs & Santow had been looking for, if anything, a slight tightening in policy because of the weakness of the dollar. However, their view has shifted to 'no change' from the meeting because of the recent weakness in oil prices, flat producer prices and weaker than

expected growth in the mone-tary aggregates.

In the real economy, it appears that production, particularly in manufacturing industry, remains buoyant. On the other hand, there has been some evidence of shares changing hands.

The US Treasury bond market there has been some evidence of continued to benefit from the bullish implications of lower oil cial markets will be looking carefully at Friday's figures on per-sonal consumption in November

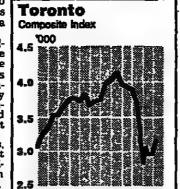
\$60 after news it had agreed to sell itself to a group led by Texas investor Mr Robert Bass for \$64 a

Chrysler recovered from a midsession loss of \$16 to close unchanged at \$22% after the company's announcement it was scaling back and delaying construction of a new assembly plant in Detroit because of concerns about the economy and because of a change in product

Among major industrial stocks, Caterpillar closed unchanged at \$60 having been \$½ up at mid-session while Merck lost a gain of \$% to close \$2% lower at \$158. USX, the largest domestic steel producer in the US, slipped \$% to \$30%. The company has reactivated its overseas export sub-

sidiary in its first attempt in years to regain market share in foreign steel markets. Other steels were mixed. Bethlehem Steel edged \$4 higher to \$17% while Armco lost \$4 to \$10%. L F Rothschild, which yester-day announced it had agreed with Merrill Lynch that a subsid-lary of Merrill Lynch would undertake its customer clearing business, slipped \$\fomath{Y}\) to \$4\fomath{Y}\). Mer-rill Lynch was unchanged at \$20\fomath{W}\). Meanwhile, Bankers Trust

of the US Federal Reserve's Federal Open Markets Committee for any clues to the stance of mone-



TORONTO STOCKS gave up ear

TORONTO STOCKS gave up ear lier gains to close lower as prof it-taking among resource issues dragged the market down.

The composite index, which had gained about 20 points in earlier trading, fell 26.70 to 3144.40 as declines outran advances by 560 to 323 on active volume of 31.8m shares.

Mr Ian Simpson, of Midland Doherty, said a round of profittaking that battered gold issues pulled the market lower, but much of the activity was in heavily weighted blue chips.

Singapore .

The Straits Times industial

Of the leading blue chip gainers, DBS climbed 25 cents to \$38.30, Gerebos 20 cents to \$33.72 and Singapore Airlines 16 cents to \$4.50. Fraser and Neave was 10 cents higher at \$25.70.

S\$7.10 on news of its 14.5 per

Haw Par topped the actives

index rose 9.52 to 750.55.

Athens SE authorities act to halt

By Andriana lerodiaconou

volatility

THE ATHENS stock exchange authorities imposed emergency price control measures yesterday in a bid to stabilise share prices, which have been fluctuating sharply since the end of November.

Shares priced at more than Drl5,000 (\$115) will not be permitted to gain or lose more than 3 per cent a day in value, while for shares priced below Dri5,000 the permitted fluctuation will be 5 per cent.

Share prices lost about 50 per cent in value following a shift in the Government's stabilisation policy and the imposition of a surprise tax on 1986 profits at the end of

The market recovered by about 30 per cent following the announcement of a tax incentive package last week, including an increase in tax-free allowances on earnings from dividends.

However, prices began to slide again this week and the general price index yes-terday fell by 4.06 per cent.

EUROPE

Transatlantic influences underpin welcome rally

THE HEFTY advance by Wall Street overnight gave a much-needed boost to Europe's sadly flagging bourses yesterday. The mood was also helped by a slight rise in the dollar, the fall in oil prices and a belief in some quarters that prices might be bottom-

FRANKFUET was given a fil-lip by New York's performance but the rally was seen mainly as a technical reaction to recent lows. Trading remained very thin, exaggerating price move-

man TV operations to Nokia of

Finland.

INTERNATIONALLY traded INTERNATIONALLI traued blue chips took heart from overnight stength on Wall Street to lead London equi-ties higher from the opening. Despite a tail-off later on fewer the assessment could overfears the economy could over-heat the FT-SE 100 index closed up 17.4 at 1,670.0.

DM9.40 to DM266.40 and BASF put on DM8 to DM258.40. The Commerzbank index at midsession was up 19.5 at 1,327.8, while the FAZ index closed 5.42 higher at 432.09.

The dollar's slight rise provided a lift for some of the export-oriented favourites. Siemens closed DM9 to the good at DM376.50. Also in electronics, SEL rose DM13 to DM283 after news that it was selling its German TV operations to Nokia of

In the car sector, where Peu-geot put on FF126 to FF1916, Michelin added FF75 to FF187 and Valeo advanced FF111 to FF1435.

Finland.

The car sector saw a sharp recovery for BMW, up DM22 at DM456, while Daimler put on DM10 to DM612 and VW managed a DM470 rise to DM226.80.

Banks were firm, with Deutsche adding DM12.50 to DM406, while Allianz put on a further DM22 to DM1.212 as insurers continued to draw attention.

Maho, the machine tool manufacturer floated a year ago at DM326; lost 90 pfg to DM191 after forecasting that profits would fall sharply in the year to June 1988.

Chemicals benefited from falling oil prices. Bayer climbed

413.4. Foreign buying helped lift. the market as many domestic the market as many domestic investors stayed away.

Union Bank ended SF125 lower at SF13.050 and Credit State shed SF20 to SF12.400. A report from the chief executive of Credit Suisse said the equities crash would probably affect bank profits next year because bank profits next year because of losses on securities holdings.

AMSTERDAM was supported by the dollar and Wall Street and

the livelier mood in other European markets and the CBS ten-dency index added 2.3 to 65.1 in dency index added 2.5 to 65.1 m scarce trading.
Trading was suspended in transport group Nedlloyd pend-ing a statement tomorrow. The share price had risen Fl 16.50, or 13 per cent, to Fl 141.50 during the session amid talk of a hostile

the session amid talk of a nostile takeover bid.

MILAN rallied on an active last day of the December trading cycle. Fiat picked up L160 to L3,390 and Montedison was L28 higher at L1,413, while Generali rose L880 to L87,000.

MADRID carried on upwards and food.

ileged tax status of these compa-nies but in the last couple of days prices have been no weaker

One analyst pointed out that

Belgian investors play down poll signals

IN MOST countries a swing to the left spells bad news for the

general election.

Monday's 43 point fall in the
Brussels Stock Exchange Index
to 3,511 was attributed as much

to the weakness of the dollar as the "bed" iddings from the poil. Yesterday international influences were again equally signifi-cant as the rally on Wall Street inspired a partial recovery to 3,526.

Investors had discounted a setback for the centre-right coalition of outgoing Prime Minister
Mr Wilfried Martens even before

International standards.

Foreign investors untutored in the tortuous complexities of Beltion of outgoing Prime Minister
gian politics may be particularly
In the past the Socialist parties
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BY TIM DICKSON IN BRUSSELS

BARGAIN hunters continued to support Singapore share prices over a broad front in quiet trade, largely bypassed by institutional largely bypassed by largely bypassed bypassed by largely bypassed bypassed bypassed b region) will play a part in the institutions retain their current ext Government. Even if a new coalition does

betray a leftward tilt, investors do not believe the recent tough economic policies can be radi-cally changed. Despite the achievements of the last few years, the argument goes, Bel-gium's budget deficit still remains unacceptably high by international standards. international standards.

Andrew Beier of Brussels stock-brokers De Wasy, who said that "the best we can hope for is that weighting in the market." Turnover has been wafer thin

only BFr780m on Monday and about the same yesterday - and Mr Beler does not expect buyers to return in large numbers until the likely composition of a new Government becomes clear. cam, singled out utilities like

the Socialists would have to take into account the large number of small investors who rely on the high dividends paid by the utili-An optimistic note was struck

than the market average.

by the head of research at Ban-que Bruxelles Lambert, Bel-gium's biggest commercial bank, which said that on fundamental Mr Marc de Brower, head of grounds Brussels looks good research at stockbrokers Peter-The market's price earnings

ratio is estimated by BBL at 8.5 (based on 1988 projections) and the yield (based on 1987 divi-

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CO. S. O

Early buying fades as yen climbs

Tokyo

FOR THE THIRD consecutive trading day, Tokyo share prices were driven lower yesterday when the strong yen dampened investors' enthusiasm late in the session, writes Shigeo Nishiwaki

session, writes Shigeo Nishsbart of Jiff Press.

The Nikkel average fell .79.55 from Monday to 22,846.73 in slightly higher volume of 512m shares compared with 325m the previous day. Advances led declines by 452 to 427, with 155 legister unchanged.

issues unchanged.
The market made a good start, with buying interest centring on high-technology issues, large-capital stocks, and speculative

high-technology issues, large-capital stocks, and speculative shares.

The sarly rise was helped by the overnight surge in the Dow Jones industrial average to regain the 1,900 level and by a fall below \$18 a barrel in crude oil prices in New York.

However, the yen extended its strength against the dollar to hit a new high of Y126.80 before closing at Y126.95 on the Tokyo foreign exchange market. This sparked small-lot selling and prompted institutional investors and individuals to missing and prompted institutional investors and individuals to retreat to the

Japan Air Lines (JAL) was one Japan Air Lines (JAL) was one of the more powerful performers of the day, climbing Y500 to Y14,400 following the sale of 48.1m government-held JAL shares to businesses and individuals beginning yesterday at a price of Y13,400 a share.

NTT remained under small-lot steam despite the yen's unabated the topour of the about Y126 to the dollar.

medium-capital stocks to earn quick profits. Yodogawa Steel Works topped the active list with 23.38m shares changing hands and closed Y150 higher at Y1,300. Tokyo Steel soared Y390 to Y3,350 and Tokyo Tekko Y300 to Y1.810. These steel issues drew

popularity on the strength of the recovering steel market.

Small- and medium-capital
constructions fared well on the
prospect that the fiscal 1988 budget to be adopted by the Government on December 28 would call
for increased public works for increased public works spending to boost domestic demand.

SOUTH KOREAN share prices bounced back strongly in busy trade as individual investors bought strongly before today's presidential

Machinery, car and steel stocks led the recovery. The composite stock index picked lowing a loss of 9.24 the previous session.

Turnover was also higher, with 12.21m shares traded compared with 8.85m on Monday. Clothing, wood-related and pharmaceutical issues

NTT remained under small-lot selling pressure, however, closing Y10,000 lower at Y2.32m.
Elsewhere on the trading floor, speculators hunted small- and medium correct the sense.

Elsewhere on the trading floor, speculators hunted small- and falling due in December 1997,

THE BULLION price's retreat from \$500 an ounce heralded a similar slide in Johannesburg

novered around 4.500 per cent after falling to 4.770 per cent. Osaka Securities Exchange prices closed lower for the third straight trading session, affected

straight trading session, affected by the strong year.

The 250-issue OSE stock everage ended 12.35 lower at largely bypassed by institutional investors. Gains were tempered, however, by the dollar's weak-of 39m shares from the previous day.

BARGAIN hunters continued to support Singapore share prices.

profit-taking to finish Y100 lower at Y1,150. Osaka Soda lost Y50 to Y1,380, while Taiyo Sanso gained Y44 to Y664.

The All Ordinaries index ended cents to \$2.20, in overall turn-26.2 higher at 1,248.4. Could industrial and mining 3.4m on Monday.

higher at Y850.

Leading shares were neglected.

Nippon Steel, though ranking ble gainer, adding 12 cents to third in the active list with A\$2.90 in trade of 14m shares.

20.92m shares; ended Y5 lower at NBH takeover target Peko Walland A\$2.30 in trade of 14m shares. NBH takeover target Peko Wal-laend jumped A\$1.76 to A\$7 in

20.92m shares; ended Y5 lower at Y408 after advancing Y7.
Matsushita Electric Industrial and NEC shed Y10 each to Y2.080 and Y1.900, respectively, while Sony finished Y100 lower at Y4.850.

Bond prices continued weak in Bond prices continued weak in A\$5.90. National Australia Bank the between of specific incomp. the absence of specific incen- notched up 15 cents to A\$4.50.

Wormald, though, dived 35 cents to A51 on news of asset write-offs of \$178m and plans to see Reli take 40 per cent of the group.

BHP made up 30 cents to A\$6.46 in modest trade.

Beers 10 cents off at R29.40.

cent profit rise.

ENCOURAGED by Wall Street's strong overnight gains, Hong Kong share prices again managed a sharply higher close. The Hang Seng index added 40.00 to end at 2,080.62 as late buying rallied prices from a midsession

Hong Kong

Overseas buyers returned to the market, particularly from Japan. There were particularly strong market rumours of Japanese interest in Cathay Pacific, which added 15 cents to HK\$5.15

in busy trade. Properties were buoyant, Sun Hung Kai adding 15 cents to HK\$7.95 and Cheung Kong 15 cents to HK\$5.80.

Other mining stocks fell with golds, with Rustenburg Platinum 25 cents easier at R30 and Stronger utilities included a 40 cent gain for Hongkong Electric to HK\$7.05. In commerical and industrial shares, Jardine Mathe-son rose 35 cents to HK\$9.05 and Hutchison Whampoa 35 cents to bellwether diamond stock De

Mining financials were also broadly softer, with Anglo American losing R1.75 at R59.25. Gold Fields of South Africa, though, managed a R1 gain to R62.

Industrials were narrowly mixed. Swire Pacific A stock made up 30 cents to HK\$13.90 and Wharf Holdinmgs edged 5 cents higher to HK\$5.35.

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similar slide in Johannesburg gold shares. Trade was dull as dealers remained sidelined before today's national holiday. Golds lost the ground they had made on Monday on bullion's rise, with notable losers including Vaal Reefs, down R11.25 at R348.75, and Harties, which lost R1.25 to R30.50. FT - ACTUARIES WORLD INDICES

SOUTHAFRICA

Jointly compiled by the Financial Times, Goldman, Sacts & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

MATIONAL AND REGIONAL MARKETS		TUESDA	A DECEMBE	R 15 1987		SEON DA	Y DECEMBE	R 14 1967	D	OLLAR INS	EX
Figures in parentheses	US	Day's	Pound	Local	Gross	US	Pound	Local			Year
show number of stocks	Dale	Change	Sterling	Currency	Div.	Dollar	Sterling	Corrency	1987	1987	800
per grouping	lodex	%	Index	Index	Yield	Index	Index	Index	High	Low	(approx
Australia (88)	%.12	+2.0	77.83	89.53 80.37	4.65	94.24	76.08	87.10	180.81	85.36	99.12
lustria (16)	94,83	+1.9	76.78	80.37	2.60	93.09	75.15	79.00	102.87	85.53	93.83
lelgium (48) Znada (127)	95,95	+0.1	77.69	81.16	5.85	95.83	77.36	80.83	134.89	94.63	95.71
asada (127)	108.99	-0.6	88.25	103.15	3.02	109.65	88.52	103.82	141.78	98.15	99.56
eomark (38)	1114.21	+0.5	92.48	97.59	3.03	113.66	91.76	97.08	124.83	98.18	96.08
rance (121) Vest Germany (93)	4 84.61	+1.9	68.51	73.36	3.62	83.04	67.04	72.04	121.82	77.39	101.22
Vest Germany (93)	76.26	+1.3	61.75	64.66	2.94	75.26	60.76	63.82	104.93	68.91	95.45
long Kong (46)	J 80.51) +2.2	65.19	80.16	6.17	78.81	63,62	78.41	158.68	73.92	94.70
reland (14)	100.04	+2.2	81.00	86.37	5,24	97.87	79.01	84.50	160.22	93.50	96.97
laly (94)	76.40	+1.2	61.86	68.59	2.79	75.50	60.95	67.80	112.11	72.04	90.60
apan (457)	144.19	+0.2	116.75	116.26	0.60	143.87	116.15	116.36	161.28	100.00	97.70
aly (94)	101.45	+13	82.14	97.05	3.72	100.18	80.88	95.69	193.64	93.76	97.58
levice (14)	121.95	+6.4	98.74	296.67	1,00	114.58	92.50	281.88	422.59	99.72	101.0
etherland (37)	95.76	+2.2	77.53	80.20	5.61	93.71	75.65	78.49	131.43	87.70	97.0
ew Zealand (20)		-0.5	61.52	62.48	5.41	76.35	61.63	62.67	138.99	75.09	96.56
Approx (24)	96.87	_L.7	80.06	85.45	3.20	100.56	81.18	86.84	185.01	95.52	99.12
orway (24) ingapore (26) outh Africa (61)	97.80	+1.2	71,09	81.02	2,99	86.72	70.01	80.05	174.28	81,21	98.74
and Africa (61)	140.06	-2.9	113,41	92.79	4.70	144,26	116.46	94.15	198.09	100,00	102.10
pain (43)	122.69	+0.3	99,34	102.56	4,02	122.27	98.71	102.45	168.81	100.00	95.54
02/11 193 <i>)</i>		+1.0	76.60	83.08	2,75	93.63	75.58	<u>82.12</u>	136.64	88.50	96.36
weden (34)	79.62	+0.9	64.47	65.55	2.53	78.89	63.69	64.93	111.11	73.65	94.10
witzerland (53)	125.24	+0.9	101.41	101.41	4.60	124.14	100.22	100.22	162.87	99.65	94.93
nited Kingdom (332)	98.71	+0.3	79.93	98.71	3.73	98.46	79.48	98.46	137.42	91.21	103.62
witzerland (53) Inited Kingdom (332)	40.72										
urane (947)	100.09	+1.1	81.04	83.51	4.04	99.00	79.92	82.49	130.02	92.25	95.36
urope (947)	139.92	+0.3	113.30	113.89	0.81	139.51	112.62	113.87	158.77	100,00	97.67
uro – Pacific (1620)	124.02	+0.6	100.42	101.76	1.86	123.33	99.57	101.34	143.65	100,00	96.75
orti America (709)		+0.2	80.37	98.98	3.69	99.06	79.97	98.78	137.55	91.68	103,40
ortii America (707)		+13	68.41	72.28	3.53	23,40	67.33	71.36	111.97	78.89	95.64
urope Ex. UK (615)		+18	71.49	83.18	5.07	86.72	70.01	81.32	164.03	82,92	97.30
acifie Ex. Japan (216)	123.67	+0.5	100.14	101.86	1.93	123.08	99.36	101,49	143.38	100.00	96.91
forid Ex. US (1822)		+0.4	91.43	100.76	2.30	112.52	90.83	100.53	138.82	100.00	99,97
orid Ex. UK (2072)	112.92	+6.4	92.17	100.83	251	113.34	91_50	100.49	139.47	100,00	99.50
orld Ex. So. Af. (2343)	נטנען		80.60	92.98	3.87	99.02	79.94	92.42	134.22	92,98	100.39
orld Ex. Japan (1947)	99.54	+0.5	arran	72.70		77.02	91.66		120 72		00 E

100.80 2.53 113.54

The World Index (2404) _ Race values: Dec 31, 1986 = 100 Copyright, The Financial Times, Goldsmat, Suchs & Co., Wood Mackettile & Co. Ltd.1987

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SECTION III

FINANCIAL TIMES



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Free market economics and an emphasis on political stability are the priorities for Mr Turgut Ozal's second term of

office. But, as **David Barchard** writes here, Turkey has many challenges to overcome in its quest for European Community membership in the near future.

Poised for take-off

The Motherland Party's elec-tion victory on November 29th seems to guarantee the country another five years of stable government - and this time round, unlike 1983 when the military supervised the elections, there are no doubts that the Government and Parliament have be elected through a fair test of the

popular will.

Over the last three decades
Turkish governments have alternated between being democratic but weak, and strong but undemocratic. Mr Ozal's new adminisocratic. Mr Ozal's new administration with its explicit commitment to make the country "leap from one age into another," is the first strong reformist government in Turkey for many years with a clear popular mandate for the work ahead.

Prospects look encouraging on the economic front, too. Eight years after Mr Ozal; then a civil servant at the head of the State-Planning Orizanisation, launched

Planning Organisation, launched his original economic reforms. the economy is back to normal and the investment climate is

Though much remains to be done before Turkey becomes a

PROSPECTS have seldom looked economy, and public spending, brighter for Turkey than they do inflation, and the external debt at the beginning of Mr Turgut burden are all higher than they ought to be, most of the signals are encouraging.

Exports are running at record levels and will probably too the \$10bn mark at the end of the year. The current account deficit has tumbled in 1987, and should be around \$850m at the end of the year, just over half the 1986

Not surprisingly, the mood in the Motherland Party and in the team of advisers, around the prime minister, is strongly hopeful — very exciting times lie ahead for Turkey in the next few years.

As far as the Motherland Party and in the next few years.

As far as the Motherland Party and in the next few years. years as we press on with things. that we could not do in the first term in government, says one of the Prime Minister's advisors.



As far as the Motherland Party is concerned, the "rescue opera-tion" phase of Mr Ozal's career in the early 1980s is now over. The immediate task is to turn Turkey Steps likely to take place in by the early 1990s into an impor-the next few months include the tant trading nation with a mod-setting up of a foreign exchange market as a necessary prelimi-nary to floating the Turkish Lira, parliament to reach \$20m a year.

improved control over the money supply and public expenditure, along with further trade liberalisation and moves to attract more foreign investment.

Social reforms, including an overhaul of the educational system, are also being contemplated.

The scale way for convergence with, and ultimately full membership of, the European Community soon after the edd of the cantury. The ultimate vision is of a large and strong industrialised nation by the third or fourth decade of the next century, with a population Though much remains to be plated.

The goals upon which Mr Ozal of over 100m and comparable, in fully export-oriented market has his sights presuppose rapid many respects to Japan, though

advances on many fronts over part of Europe wants . the next few years.

. There are obviously stark obstacles along the way to this eventual goal — social, demo-graphic, and cultural, as well as political and economic. The business world shares Mr Ozal's

Yet what Mr Ozal has achieved so far seems to match the bold-ness of his ambitions. In just over four years, he has created a point where they can be sold off political party which has supplanted the existing ones and looks like a natural majority outgrown the generals who party.

The country as a whole is

The country as a whole is 1983. Civilian supremacy in more prosperous than it ever many areas of government has was, and is increasingly viewed been re-established and last sumby investors and suppliers in the mer the prime minister took the

try which Turkey exided at the start of this decade.

Ministries and government institutions - the Central Bank, vision of the future, but much of the Treasury, State Industries, the rest of the country still has, and municipalities - have been overhauled and the legislation achievement and does Mr Ozal, regulating them has been have the resources he needs to updated. Public sector industries are slowly being prodded to the The country's rapid population that construct the legislation overhauled.

rest of the world as one of the daring and unprecedented step most exciting new markets, any of imposing his candidate on the where. Gone is the image of an indebted and shipwrecked countries of the daring and unprecedented step of imposing his candidate on the Armed Forces for Chief of Genindebted and shipwrecked countries.

be asked only by foreigners. How securely based is this achievement and does Mr Osal

press his programme further?

The country's rapid population growth (the last census showed that it was growing by more than 25% a year and Mr Ozal is sceptical of population control programmes) poses a strong challenge. Most Turkish governments believe that they have to follow strongly expansionary sceptical of population control loyalities.

programmes) poses a strong challenge. Most Turkish governments believe that they have to follow strongly expansionary growth policies to stay ahead of popular suspicions of widespersd.

In many control his party.

But currently the mood of his party and the country is less prescribed by religious fundamentalists in his party.

around Mr Ozal; economic

Business, banking and finance.

Photographs by Terry Kirk; graphics, by Bob Hutchison; page one illustration by Mikki Rain.

Politically, the Prime Minister's base is strong but narrow, despite the Motheriand Party's claim to unite four different right-wing and left-wing political traditions. Mr Ozal has exploited his opportunities with singular his opportunities with singular shrewdness and imagination, Even so the Motherland Party in

power, the Motherland Party will could have probably try and develop into an low level.

opportunities.

The opposition parties are tarnished by their associations with the weak governments and tarnished by their associations with the weak governments and violence of the 1970s, but this does not entirely explain their ineptness or the ease with which mr Ozal has since last summer outclassed the opposition.

Even if none of the other parties are water.

Supplying drinking water creates jobs just as earlier public works programmes did. It is also among the amenities which helps keep the rural population from streaming into the cities as it did in the 1960s and 1970s. does not entirely explain their ineptness or the ease with which Mr Ozai has since last summer outclassed the opposition.

Even if none of the other par-

high inflation, increasing income inequality and the dangers of a growing foreign debt burden, have found a receptive public.

Direct influence of the military
in day-to-day politics has dwinness in the Motherland Party's
dled to the point where these record which could yet become
days questions about it tend to politically hazardous. The party's mage in the country is much less positive than it is in the rest of the world.

new arrival on the national be sure, as he was evidently not scene. Most of Turkey's opinion- sure in his first term in office, formers grew up in an earlier world and have prior personal

social problems, notably infla-venality go hand-in-hand with tion. exasperation at municipal

keeping roads open and supplying fuel in winter.

Another weak point is the press. Mr Ozal is probably more unpopular with the daily papers than any Turkish prime minister. his opportunities with singular shrewdness and imagination. Even so the Motherland Party in the recent general elections came out well shead of all its rivals blame this situation on the rocut with a relatively disappointing 36% of the votes.

This gave it a handsome overall majority of 134 seats in the 450 member National Assembly, but only because Mr Ozal had had the foresight to introduce a "double barrier electoral system" than any Turkish prime minister before him. Turkish journalists blame this situation on the Prime Minister's officials. The Government shrugs off its unpopularity with the press by heavy reliance on the state controlled broadcasting media.

Yet, press hostility may have been among the principal readouble barrier electoral system in office, the Motherland Party's share of the vote sank to little more than a third of the elector-

last year which wiped out the more than a third of the elector-smaller parties. more than a third of the elector-ate in November. If the opposi-To institutionalise its hold on tion had been less divided, this ower, the Motherland Party will could have been a dangerously

office since 1949.

Mr Ozal and his followers believe that some similar formula for political stability is needed to ensure rapid economic development in Turkey.

One of the striking features of the last year has been the failure of the opposition parties to take advantages of what seemed not long ago to be commanding opportunities.

ministries by introducing junior ministers, and shifting state investment gradually away from infrastructure towards human resources, such as health and education, both areas in which Turkey is relatively backward. The first Ozal government brought electricity and telephones to all villages in the country. The second one is pieded to sive them drinking

pledged to give them drinking water.

Even if none of the other par-ties currently has much plausi-bility as an alternative government, their complaints about high inflation, increasing two was a law of the needs of schoolleavers in an industrial society. Political and Islamic fundamentalist influences have made the Ministry of Education one of the weakest in the country.

Many parents side step the for-mal educational system by send-ing their children to study for long hours in private tuition schools to fill the gaps left by the state lycee system.

There are several reasons for this. One is that the party is a mean that Mr Ozal will have to new arrival on the national be sure, as he was evidently not that he can proceed regardless of the Islamic fundamentalists in

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TURKEY 2

A FIRST GLANCE at the figures might not suggest it, but 1987 has been rather a lucky year for

the Turkish economy, unlike 1986 when exports stagnated and

higher, around TL 8,000bn (\$8.2bn). That is more like 15 per cent of GNP. Turkey's runaway indiction becomes less of a

All these figures are not quite

year, not surprisingly, is

nomic strategy.

Political scene

Changing the mould

likely to change the shape of Turkish politics for many years to come. Mr Ozal can count on 292 seats in the 450-member Particles of the complete of the compl liament, as against 99 seats for trous in the 1970s. Secondly, the the Social Democracy Populist system should mean that henceforth political extremists and main conception against 1981 and 19

rontics for the next five years not be able to get into parlia-in Turkey should be an easy ride for the government, unless either the MP falls apart or there is serious opposition to the is serious opposition to the gov-ernment in the country as a

whole.
Neither prospect looks very likely. However the election results have given the MP some food for thought. The party sees itself as a natural majority party and wants to stay in power till the year 2000 and beyond.

Its actual showing in the polls however suggests that it has still some way to go before it can be sure of this. The party took a not very impressive 36% of the popular state extend points less than lar vote, several points less than

it had been hoping for.

In fact, if Turkey still had proportional representation, the
country would at present be witcountry would at present be wirnessing protracted coalition bargaining in a three comered tussle between Mr Ozal, his rival
and former master, Mr Suleyman
work during the summer when Demirel, and the Islanuc revival-

Jenniel, and the Islantic revival-let, Mr Necmettin Erbakan, whose Welfare party poiled 8% but did not get into parliament. This was thanks to Mr Ozal's secret weapon, the 'double barrier electoral system which he introduced last year. The system means that to get into parliament, a party has first to get 10% of the national vote and then clear a second hurdle, a barrier In each constituency equal to the number of votes cast divided by the number of candidates stand-

So in a six member seat, candidates must get at least 16% of the votes, while in a three member one they need 33%. The system helps the largest party, handicaps medium sized ones and eliminates multi-parties.

eliminates anali parties. There has been some indigna-tion among the opposition politi-cians at the system which gave

forward to five years in which it will be even more dominant in perliament than it was in the outgoing one. It no longer has to fear rivals waiting in the wings and Mr Ozal should have no difficulty in maintaining party unity. Until last month's elec-tions, the MP had an artificial

look to it. That has now gone.
This raises doubts about the future of the True Path Party (TPP) of Mr Suleyman Demirel which also claims to stand on the centre-right. A year ago the TPP believed itself to be the main centre-right group in the ing.
country and hoped to pull However with a strong major. abreast of Mr Ozal in the elec-

work during the summer when he held a referendum on whether or not to let Mr Demirel and the other politicians banned

now find it hard to hold his

Assuming he does not decide to retire(something that few Turkish leaders ever do) he will have to stave off attempts by Mr Ozal to break up his party.

Defections from the SDPP which remains the chief opposition, under Professor Erdal Inonu, are not out of the question either. The party has a quarter of the votes but only 99 deputies, and so has very little influence.

Sonally.

As President, he could hand over day-to-day running of the country to a prime minister of the chosing.

Turkey has never had such a hand-over inside a ruling party since World War Two. But Mr Ozal is fond of pointing out that such things happen frequently in Japan.

Devid Barchard

election success on November 29 liament with only 36% of the number if the 1970s social dem-was a famous victory which is votes. But the outrage is muted cratic leader, Mr Bulent Ecevit, cratic leader, Mr Bulent Ecevit, had not decided to set up his own breakaway party. It picked up 6% of the votes - but ruined

A tearful Mr Ecevit has since announced plans to leave politics, a move which has brought catcalls from his former colleagues on the left, and drawn expressions of regret from the MP - which owes about 60 deputies to Mr Ecevit splitting the left

Crossing the floor is in theory against the Constitution in Turkey but in the last Assembly, it

happened almost every day.

A question mark might hang
over the attitude of President Kenan Evren to any changes. To date, the President has generally gone along with Mr Ozal's wishes where controversial legislation has been concerned. But in an interview soon after the elections, he gave a clear signal to the prime minister that this might not necessarily be the case if major changes were in the off-

ity in Parliament, it should not be difficult to overturn a presi-dential veto. In any case, Presi-dent Evren's term ends in

Many believe that Mr Ozal would like to succeed as president, becoming only the second ever Turkish head of state not to come from the Armed Forces.

This might suit the Prime Minister well. He had a triple by pass

and the other politicians banned dent, becoming only the second politics. There was a 'yes' vote, but only by a humiliatingly alender majority of under 0.2%.

Mr Demirel entered the election campaign, demoralised and with his credibility dented, with 69 seats in Parliament, he may to institutionalise his reforms and though active, has to watch his health. He is known to want to institutionalise his reforms and the hard a held his which until now have been strongly identified with him per

Economic prospects

Fair but fragile

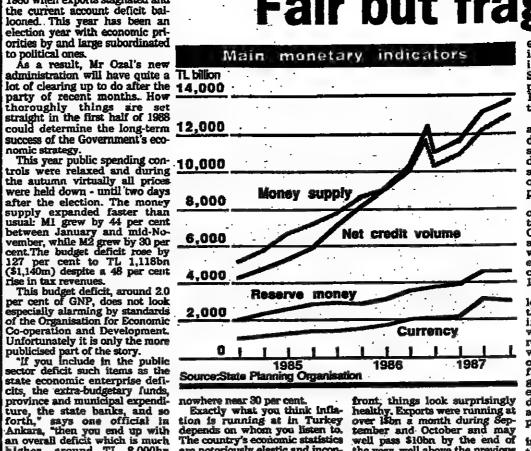
front, things look surprisingly healthy, Exports were running at over 15bn a month during Sep-tember and October and may

healthier performance than last year's 8 per cent growth with a mushrooming delicit.

Just why exports are growing so fast this year and to what extend Turkey is experiencing

textiles playing by far the largest role and accounting for about 27 per cent of total exports.

Most Turkish exporters are fairly small. The top ten Turkish



nowhere near 30 per cent. nowhere near 30 per cent.
Exactly what you think Inflation is running at in Turkey depends on whom you listen to. The country's economic statistics are notoriously elastic and inconsistent. In the first week of December, the available estimates for the previous eleven months mailed between 36 per cent and 57 per cent, the latter mystery.

The deficit is only partly financed through visible means such as Treasury Bonds (which in 1986 alone grew by 173 per cent). There are also long-established ways of tapping Central Bank funds, for instance by over-recording tadget allocations to authorise automatic borrowing. cent and 57,per cent, the latter admittedly being a figure for istanbul alone. Government price rises in the same week seemed to suggest that the annual rate could be around 50,per cent as against a long-for-gotten target of 20 per cent at the beginning of the year. Only one other year, 1984, has been as bad since Turkey descended from three digit infla-

as startling or alarming to Turks
as they may look to anyone not
familiar with the economics of a
country in which M2 grows by
more than 50 per cent most
years and it is hailed as amus The Government will have to spend much of 1988 bringing the money supply and public sector spending back under control. mirabilis when inflation dips below 30 per cent. Inflation this Meanwhile it can console itself with the good news, which is that on the balance of payments

Sabanci exported only about 6 per cent of their turnover in 1986 and are largely oriented to the home marke Most Turkish exporters are also strongly responsive to subsi-dies and incentives. Exports subsidies, which were being scaled down earlier, seem to have been

stepped up again in 1986. But official figures suggest that they play a small role. The geographical distribution The geographical distribution of exports may give a better clue to what is going on. Exports to OECD countries this year are about 66 per cent of the total, while exports to EC countries are exactly half. This is about 10 per cent higher than in the mid-

Since there is a substantial leap in the volume of exports to the OECD and EC countries, the increased proportion of trade with them does not simply reflect the decline of Turkey's windfall Middle Eastern markets

of the early 1980s. The present figures look rather like the geo-graphical distribution of Turkish exports in the 1970s, but in those exports in the 1970s, but in those days two thirds of exports were agricultural, whereas today 80 per cent are of industrial goods. So it may be that Turkish industrial exporters, having cut their teeth in relatively easy Middle Eastern markets in the first half of this decade, have now learned how to penetrate now learned how to penetrate OECD markets successfully, despite grumbles about quotas

tember and October and may well pass \$10bn by the end of the year, well above the previous export record of \$7.9bn in 1985.

The current account deficit which was \$1.5bn in 1986 is likely to be around \$950m this year. In August, the last available month, it was around 25 per cent of the 1986 level.

This is welcome news since and other barriers. A continued good export per-formance is crucial if Turkey is to be able to handle its foreign debt burden. The debt service This is welcome news, since Turkey's creditworthiness hangs on its exports and current account performance. The country ran a trade deficit of \$3bn last year, and plans trade deficits for the foreseeable future as part gest burden. The debt services ratio in the first half of this year grew to an uncomfortable 43 per cent with repayments of principal and interest of about \$3,172m between January and of its strategy for rapid growth.

This year the economy has been growing by about 6.8 per cent on a much reduced current account deficit, a somewhat

August.
The total external debt has The total external debt has gone up from about \$31.2bn as the start of the year to nearly \$34bn at the end of it, though a lot of this is explained by the decline of the dollar. Export earnings by contrast will be \$10bn this year and GNP is roughly \$54bn.

This is clearly a situation which calls for very expentionarextend Turkey is experiencing real export-led growth rather than a pre-election consumer boom are more ticklish issues.

Export growth seems to be coming chiefly from textiles, iron and steel, leather, petrochemicals and chemicals, with textile playing the for the leatest

which calls for very careful man-agement, but until recently economic policy has not been well co-ordinated, even allowing for the pre-election atmosphere. Nor is there any public opinion to speak up when Turkey announces its intention, for instance, to manufacture mili-

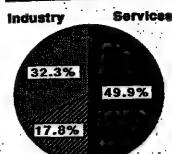
+6% exporters include firms exporting under \$30m, while Turkey's industrial giants, Koc and +2%

> 1977 1980 Source:SPO

GNP

Percentage change

Composition-1987



Agriculture

Source:State Planning Organisation

Plans to set up a body which would review all foreign borrow-ing and create a queuing system for projects and payments have been in the air for some time. The institutional will to push them through seems to have been lacking

been lacking.
So if Turkey really wants to go
for soundly based sustained
rapid growth in the 1990s, rather than press on with the inflation-ary muddle, it may have to do me painful breaking with

Tighter borrowing and fiscal policies will hurt many pockets, not all of them undeserving ones. In a society where a profes-sionally successful heart surgeon in his thirties may be earning only \$150 a month and there is no unemployment insurance, there are obvious social and political risks to getting tougher. But loose credit policies claim victims too, even if they are not always as obvious as the credit manager of one of Turkey's state is there any public opinion to manager of one of Turkey's searce speak up when Turkey banks who, unable to stand the announces its intention, for strain of dishing out pre-election instance, to manufacture milligodies, died of a heart strack tary helicopters at a cost of several million dollars.

David Rarchard

You are what you know



Cosmos and Albert Einstein (1879-1955). Image by Saul Bernstein

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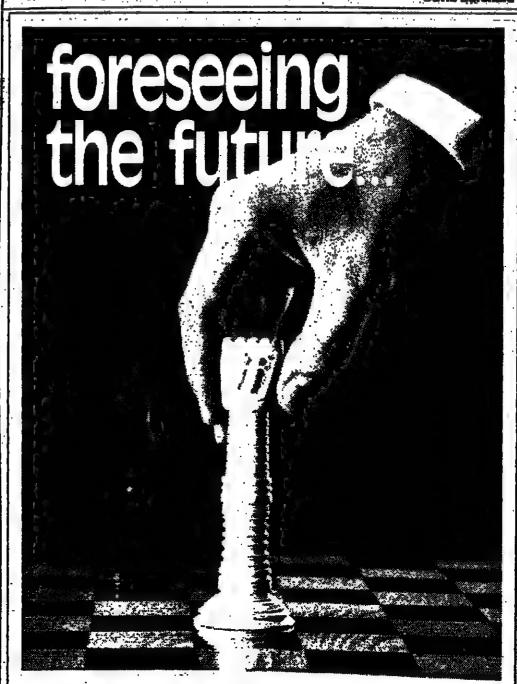
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oreign trade today. But only thosoridge the needs of the present a

IZDAS has been looking ahead for more than a quarter of a century. Steadily progressing, successfuly competing with the leading international companies, IZDAS lends also positive support to the



CES AND REPRESENTATIVES ABROAD:

Princes await call to duty

These - and a few other veterans-go-back to the Prime Minister's days in the civil service.

"The distinction between the old-timers and the men who have surrounded him later' says ical level and changing the character can — and do — disagree the civil service irreversably, with him openly. A lot of the last administration between the cardiacter arrivals are basically yesmen who cut him off from access to hard information."

All three were elected to parliament in the general elections of the last administration. Debts of cardiacter were elected to parliament in the general elections and are likely to get ministerial posts. Yusuf Bozkurt Ozal is the are often of a higher calibre candidate many would favour because prime ministers are

candidate many would favour because prime ministers are for the post of deputy prime frightened of raising up rivals to minister and economic policy themselves."

One administrator Mr Osal has

Superior Control

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A BANK

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David Bass

THE PRIME MINISTER, Mr Tur- is reputed to believe that the latgurt Ozal may look like a oneman-band to the rest of the Morald To many Turks, he looks force him to abandon his widemore like a Sultan surrounded by princes.

Borrowing his style of administration from Turkish prince see

Borrowing his style of administration from Turkish private sector companies, the Prime Minister relies heavily on his family trusted old friends, and a growing number of newly-recruited advisors:

He seems seldom to quarrel with his advisors and is very loyal to old friends. As a result, he is coconed by a network of chairs each with a personal link to him

His choice of who fills which slot will depend on these connections. Three top names are Pro-

slot will depend on these connections. Three top names are Protessor Ekrem Pakdensiri, head of
the Treasury till 1986, Adaan
Kahveci, until recently Chief headhunting for able young
Advisor to the Prime Miniser,
and the Premier's brother, Yusuf
Bozkurt Ozal.
These and a few other veterthat the power of the traditionaltest hand a few other veterthat the power of the traditional-

co-ordinator.

One administrator Mr Ozal has
This was held in the last gov not been able to lure back into This was hald in the last gove not been able to here back into the government, though he Mr Erdem listened to the state would probably have loved to banks and bureaucrats more have done so is Mr Yildirim than the economists around the Prime Minister would have liked. "He played the role of soft policeman when he should have been he chose to go into business in a hard policeman," says one Istanbul Yildirim's departure was a serious loss for the MP. was a serious loss for the MP.

الرواحة المناب والمعقوم المناسطين عليه المناب المناب المناب المنابع المنابع المنابع المنابع المنابع المنابع المنابع



Mr Turgut Ozak"a sultan surrounded by princes"?



Candidates for ministerial posts: left, the Premier's brother, M Yusuf Bozkurt Ozal; and, right, Prof Ekrem Paktiemirii, head of the Tressury until 1986.

voked some reaction from the bureaucracy, but so far less than might be expected. The turnover at the top in Turkey's civil service has always been rapid by

banker.

Mr Erdem also blocked for many months the appointment ministers to work alongside cabinor of the Central Bank. He may now be shunted into the honorific post of President of the He will also gradually change the National Assembly.

Exporters would be happy if charge of industry. As for Mr Rakdemirii were placed in charge of industry. As for Mr Rakdemirii were placed in charge of industry. As for Mr Rakdemirii were placed in charge of industry. As for Mr Rakdemirii were placed in charge of industry. As for Mr Rakdemirii were placed in charge of industry. As for Mr Rakdemirii were placed in charge of industry. As for Mr Rakdemirii were placed in charge of industry. As for Mr Rakdemirii were placed in charge of industry. As for Mr Rakdemirii were placed in charge of industry. As for Mr Rakdemirii were placed in charge of industry. As for Mr Rakdemirii were placed in charge of industry. As for Mr Rakdemirii were placed in charge of industry. As for Mr Rakdemirii were placed in charge of industry as process which began in the months before the clections.

The preference for young internationally experienced in party because the size of Mr Czal's new elite is growing internationally experienced minister may gradually distance

Republication and the

himself from some day to day business. Even so, the web of personal connections will remain important.

There may also be a tendency to look to the Prime Minister's younger brother as the heir apparent though it may not be a role which Mr Yusuf Ozal, one of the most open minded and mod-est ment in Turkish public life, relishes. Like many of the men around his elder brother, he still gives the impression of caring more about economics than poli The Horney Commen

David Barchard

Page 2 of the first

Financial sector faces deposit rate competition

New medicine for banks has disagreeable taste

money for a year in Turkey at environment, around 15 per cent to 20 per cent, while if you placed your savings in the bank for a year, they would bring you about 12 per cent. Inflation ran many tion as the same of the same points above all these figures.
Today if you borrow money in Turkey you are likely to end up baying 78 per cent to 80 per cent a year for it. Lending rates have been negotiable for four years.

So too are some deposit rates TL12.9 trillion (\$13.1bn), a high now last March you would have percentage is non-performing got a flat 43 per cent for one Current guesses place it any-year money in the bank. Today where between 10 per cent and now, last March you would have percentage is non-performing, got a flat 43 per cent for one Current guesses place it any-year money in the bank. Today where between 10 per cent and you should easily be able to get 35 per cent.

The bad debts problem will not rate) and perhaps even 60 per go away, at least until rates to cent if you are brave and bargain hard.

This is not the first time that sheets of the foreign banks, non-performing losses have started to

Turkey's banks have been intro-performing loans have started to duced to deposit rate competishow up. "The foreign banks tion. Mr Ozal tried it as long ago have more non-performing loans as 1980. The banks did not like it than they say, warned one for at all and responded with a 'generican banker.

This time competition has broken out and rates to depositors quickly started to climb after July, though it did not take long for the discovery of a ceiling around 58 per cent to 60 per cent, dictated largely by other components in the overall cost of

Interest rate competition has been fiercely debated in Turkey for several years. Economic pur-ists see it as the way to weed out

Economic purists see interest rate competition as the way to "weed out the market" and bring down rates in the medium and long term.

Of total bank lending of 1988."

tleman's agreement' not to com-pete with each other. In this shaky situation, it took months of deliberation before months of deliberation before months of deliberation before the Government took the plungs and freed rates on one year funds. Last year in fact itcut rates to depositors not just once but several times, so that interest on one year deposits came down from 55 per cent in March 1986 to 43 per cent by last March. At this point inflation started climbing sharply and the experiment was discontinued.

ists see it as the way to weed out the market and bring down rates in the medium and long term. But a lot of the market isn't happy at being weeded out.

The new deposit rate system means several things. Firstly, rates to borrowers have started rising again, though only a few banks have reacted as quickly as

But a lot of the market isn't happy at being weeded out.

Roughly speaking, Turkish banking divides into the large commercial banks (private and public) and small operations.

The smaller banks tend to be new arrivals, with few branches and limited deposit bases. They through bond issues, something try to find niches in the market, such as trade finance, and often model their activities on the phenomenal success of the foreign higher prices than deposit many times and the cost of issues has the large volume deposits which bear interest of some like such in the market, hit several banks were trying to not several banks, some like the Turk Ekonomi Banks, some like the Turk Ekonomi Banks, cautiously managed, profitable, and so not a single non-performing loan on its books.

We have a large volume deposits which bear interest of only 10 per cent. At the other end of the market that is not possible in a high deposit at a comparation.

We have to sell bonds at model their activities on the phenomenal success of the foreign higher prices than deposit medium and small banks, some like the Turk Ekonomi Banks, cauditously managed, profitable, and some like the truck Ekonomi Banks, cauditously managed, profitable, and some like the surface of the truck is not possible in a high deposit rate environment.

We have to compete the first and the like such as large volume deposits which bear interest of only 10 per cent.

At the other end of the market are the small banks, some like the Turk Ekonomi Banks, cauditously managed, profitable, and some like the truck is a balk of this year, has been hard hit. Several banks were trying to the first the surface only 10 per cent.

At the other end of the market are the small banks, some like the Turk Ekonomi Banks, some like the Turk Ekonomi Banks are the small banks are the small banks are the small banks are the small banks are the small banks are the small banks are the small banks are the small banks are the small banks are the small banks are the small banks are the small banks ar

COMPETITION ON rates for term deposits returned to the Turkish banking sector on July 1 and the Banque Nationale de this year. Hailed by some economic policy hawks as the panacea for Turkey's ailing financial sector, the large commercial banks are finding that the new medicine has a disagreeable taste.

The Turkish banking system has spent the 1980s trying to get used to realistic interest rates. Ten years ago, you could borrow money for a year in Turkey at the sex of the beause they woke up too false to the new interest rate entire ments.

One example: BNP-Ak, a joint the Iktsisat Bankasi. He believes however that the effect may be only temporary.

Thirdy and most importantly, the cost of funds has been pushed up and profitability has been cut. There is a TL700bn (\$714m) cost to the sector, says Mr Berol Aksoy at the Iktsisat Bankasi. He believes however that the effect may be only temporary.

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The Turkey here are other sorts of the Warlaman Karacam, since last August the general manager of the Yapi ve Kredi Bankasi. This is higher than the total profits of the Yapi ve Kredi Ba effects will be clearly seen in

Mr Karacam says that the banks need to maintain high profits to finance their future development in an inflationary environment. "We have to have a profitable banking system," he

in search of profits (Yapi Kredi expects to make about TL50bn or \$51m in 1987 on paid up capital of TL70bn), the bank is diversifying into money markets, investment banking, trade finance, and personal banking

rapi Kredi's profits are still a long way behind those of its debts. The other banks decided to do things individually and, as where the vice chairman Mr Eroi Sabanci reports that profits have some up this year by 51 per can. gone up this year by 51 per cent in dollar terms to \$150m. The bank has just increased its capi-tal from TL 150bn to TL 250bn. Mr Sabanci is unhappy both with the high interest rate envi-

ronment of the last seven years and with what he sees as disor-der in the market. He points out though that the new deposit rates hurt banks which rely heavily on term deposits but are easier for banks like his which

this autumn. Only one of them, the Yatirimbank, looks set to make much of a mark). Most hope to use the young interbenk market to fund themselves for investment banking activities and trade finance.
Potential failures know that

the Treasury and the State Banks, are always there as a safety net (albeit a sagging one after the failures of recent years.

These days however some roblems are cropping up which problems are cropping up which direct government intervention cannot solve. Early last summer one of Turkey's major industrial groups, Anadolu Endustri Holding, was unable to pay debts totalling about TL160bn (\$163bn) to a group of banks led by the Turkiye is Bankasi.

AEH is a well-managed group and there is general agreement that after financial restructuring, its operations would be profitable under the existing management. Is Bankasi was able to

Conflicts erupted on all sides and the future of the group is now cloudy. The banks should have appointed an outsider to do the restructuring," says more than one banker. But they haven't reached the point where

they can do that."
Still, the sector is learning from experience. A new genera-tion of bankers with modern skills, many of them trained at the CBIS International Banking School opened in Istanbul last

people are rising and regulatory powers are growing. Doom and gloom are definitely not the right attitude," says a veteran observer of the Turkish banking scena, Mr Peter Poullada of the Istanbul Office of Bankers' Trust.

David Barchard

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Merchant banking

Growing range of services

WHEN DR VURAL AKISIK, vice chairman and managing director of the Istanbul-based Interbank describes recent developments in Turkey's capital markets he egins at the beginning. With

the Ottoman empire.

"Istanbul was a highly significant financial centre at the end of the last century, but after World War I, Turkey closed its doors. What is happening now is a revival of the spirit of the last century, rather than something

What has been happening is the growth of capital markets, privatisation and encouragement for Turkey's traditionally family-owned bigger private businesses to go public.

The extent and success of these developments has yet to be seen, but there can be no doubt that Turkey is trying to open doors - both internally and to the

doors - both internally and to the rest of the world - and this is creating demand for institutions offering merchant banking and

vestment finance facilities. Turkey's first examples of merchant banking were provided by the overseas banks which came into Turkey in the early 1980s. But local institutions have moved quickly with the trend and a number of Turkish banks ere now offering specialised

One of the most urgent jobs for the Turkish government and financial institutions as to persuade a gold-hoarding population to have more confidence in capi-

tal markets.

"I have no doubt that small under-funded businesses in Turkey could grow into bigger ones with proper finance" says Dr Akisik. "Scale is lacking in Turkish businesses. Scale is lacking because capital is lacking because capital is lacking because capital markets has been lacking."

He filustrates the problem of scale by telling of a US client who was interested in acquiring a "small-to medium-sized" Turk-

a "amail-to medium-sized" Turk-ish textile company with a \$40m to \$75m surnover. In Turkey, a company of that size counts as

large.
Stability, including control of inflation, and adequate internal financial markets are Dr Akisti's mancial markets are Dr Akisik's pre-requisites for opening the doors further, "Once people see paper can be a valuable commodity like gold which earns profits you can begin the gradual introduction of activity product.

good investment bankers but it promoted by the Government has to be gradual. Things are not will continue. about to suddenly explode." Gold is a serious practical as well as symbolic problem. A remarkably large amount of it is held in private hands in Turkey, given the nation's low per capita income compared with Western

Europe. Bankers and industrial ists agree that the capital which private citizens have tied up through the years in gold as a hedge against inflation and instability is needed in the econ-

Gold-hoarders need to be persuaded to have more confidence in capital markets.

One of the hopes is that the Government's privatisation programme, if successfully marketed, will convince people that industrial investment can be profitable. Mr Adam Arda, a banking consultant would like to see a premium offered in the privatisation programme to those see a premium offered in the pri-vatisation programme to those willing to trade in their gold for shares in the telephone equip-ment, cament and other industries awaiting privatisation.

"Capital accumulation is one of Turkey's big problems," he says. "Lots of surplus capital gets lost in gold. Ways have to be found of getting that gold back into the surroun and the automatical statement of the surround of getting that gold back into the surround t into the system and the privatisation issues offer an excellent opportunity." Tekstilbank, one of Turkey's

newly formed investment banks will be involved in the privatisation programme at an early stage. It is acting as consultant on the proposed sale of state tourism facilities with Morgan Grenfell, which includes the privatisation of British Transport hotels in the UK among the schemes on which it has advised.

The Government will be offer-ing for sale a collection of hotels, motels, camping sites, marines and holiday villages which, it is hoped, will attract foreign as well as Turkish capital. During its first year of opera-tion Tekstilbank handled the first-ever syndicated commercial

paper issue in Turkey worth Tl 15bn for the Toros fertiliser and modity like gold which earns chemical group. Mr Ali Kaplan, profits you can begin the gradual general manager of the bank, introduction of equity markets. believes that the deepening of Then there will be a need for Turkey's capital markets being

Government approval for the establishment of Tekstilbank focusing on trade finance and investment banking areas which the state is determined to

Bankers Trust is currently launching a joint venture with Is Bank, Turkey's largest private commercial bank, to play a wide-ranging capital market role. One of its specialities will be advising foreign companies seeking partners in Turkey.

Tam very confident and satisfied that the Turkish government and central bank are committed to structural reform of

mitted to structural reform of the capital markets," Says Mr Peter Poullada, Bankers Trust vice president in Istanbul. "I have lots of confidence that they know where they want to go and how they want to get there."

The belief that Turkey's capital markets are indeed embark-

ing on what will prove a dra-matic period of reform and growth is shared by Mr Husnu Ozyegin, general manager of Fin-ansbank, the country's newest merchant bank.

merchant bank.

Finansbank began operations this autumn aimed directly at the corporate market. Its specialist staff plan to assume the role of financial consultants to their business clients, helping them find better ways of solving their financial problems. Activities will range from conventional will range from conventional trade finance and loans to concepts new to Turkey like mergers and acquisitions, equity and cap-ital market activities, govern-ment bond trading and corporate

These activities still have a long way to grow in a country where pension fund investment where pension rung investment normally means putting money on deposit and leaving it there, while, in retail banking, personal loans are still almost unknown. But Mr Ozyegin is convinced that the structure is changing and he, like Mr Akisik with his references to the Ottoman empire, quotes the past in his support. T recently discovered some Suez Canal shares held by my grandfather 100 years ago. Turks understood financial markets then. We understand them still and the pace of change which has begun will get more and more rapid."

Turkey's biggest commercial bank seeks a new image

Quest for a better identity

TURKEY'S LARGEST commercial bank, Is Bank, has an identity problem. Last month, the more than 50 per cent of shares bank called in a New York communications consultancy, Lip-pincott and Margulies. Although outwardly all appears well, there is a view that the bank, at the

The internationally advertised message from the bank announces that is, in Turk-The bank has an extensive today and still rising, compared to two when it began in 1925. Its personnel total has risen from 37

personner total has then how or people, 63 years ago, to more than 20,000 today. The bank's annual report, pub-lished last March, shows that gross income increased by 32 per cent to Turkish Lira 928bn, with profits, and tax, up by 9 per cent to TL 35.2bn.

Total lending rose 53 per cent to TL 28 trillion, and deposits were up by 59 per cent to TL 3 trillion. Any figure from the accounts (which are not inde-pendently audited) project a simlar message of health. which has Furthermore, is Bank's list of cent stake.

and has a stake in over 100 com-

Is Bank, in its role of development bank and provider of scarce capital during the early years of the Republic, launched the first factory in many sectors for example, a bottle and glass-ware plant in Istanbul in 1934. . The bank today has equity participation in 12 of Turkey's 60 banks, including joint ven-tures with foreign banks, such as the Arab-Libyan Bank, and it is setting up a merchant bank with

Bankers Trust.
To further understand the nature of is Bank, one must also look at the shareholder profile: 35.9 per cent of equity is held by the bank's Personal Pension and Munual Aid Fund - which means that retired employees, widows and orphans constitute the largest shareholding body.

The second largest share, 28.37

The second largest share, 28.37 per cent, now belong to the the President of the Republic and are managed by the Tressury, which has a further 12.12 per

are owned by individuals - often Turkish workers abroad. The board includes branch managers, but not by one representative of the many companies the bank holds a stake.

The affable deputy executive manager, Mr Unal Korukcon, is at pains to stress the social responsibility shouldered by the bank which provides 100,000 jobs, representing the livelihood of half a million people. He argues that is Bank keeps

lu own resources in equity par-ticipation because it gives the bank a chance of controlling the use to which its loans are put."
He insists that the bank cannot it must act as a "fireman" for Turkey, helping out in sectors which run into difficulty.

What are the operating profits of Is Bank? - we prefer to accusmulate hidden reserves, it is difficult to say," says Mr Korukou.

Is it not time to have an independent audit? "Not yet."

Is Bank managers, such as Mr
Abmet Appending stress that the

Ahmet Ayaydin, stress that the bank does sometimes divest itself of certain shareholdings. For example, it sold its 10 per cent

To keep a close eye on business developments, the bank tends to appoint retired senior manbers of personnel to the boards of companies in which it

With the liberalisation of foreign exchange transactions in the past few years, the Central Bank has at times found itself short of foreign currency - is Bank will step in and lend it the

necessary amount.

When is Bank offers pre-export finance, it is often at a margin of Libor, plus 3 to 3½ per cent. Other banks offer Libor plus 1.75 per cent and are asked to cede their foreign exchange at that price to is Bank if they are jointly financing an exporter, all of which makes an easy profit for Is Bank. One old Turkish hand who has

dealings with is Bank claims that the state giant puts "tremendous on companies with pressure which it does business not to allow any other bank to have dealings with them.

Is Bank does, of course, offer unparalleled skills in operating within a very heavily regulated

banking system. It was born in such a system and, for many decades, acted as a major tool for

The new interest rate climate has had some surprising consequences for Is Bank's empire. When companies are unable to service loans, real estate or physical plant, given as collateral, is absorbed into the bank's assets. in many ways, is Bank would appear to mirror some of the ills that Mr Turgut Ozal's more liberal policies are seeking to

address.
The Prime Minister recently suggested that part of the bank's interest in the glass sector could be sold, no doubt as a way of raising fresh capital.
Managers of is Bank accept that their equity participations are under-valued. The answer may be to set up a rating company, which the government has recently asked is Bank to do.

Is Bank has, over the years, Is Bank has, over the years, served Turkey well and no doubt will continue to expand - for instance, it is soon to set up a leasing company with IFC and Societe Generale.

Banks invest in further branch automation and electronic data services

Advantages become more visible

THE CYNICISM of the Turkish public is understandable, Dealing with the country's banks is usually a laborious process - few computers in sight, queues, delays and laborious paper work. Many Turks therefore discount the image the banks present of themselves as staffed by tellers happily manipulating computer terminals to provide instant smiling service.

smiling service.
But recently the banks' investments in electronic data processing are beginning to yield results. The customers of banks such as Akbank, Pamuk Bank, Turkiye is Bankasi and Yapi Kredi are now finding that branch sutomation and electronic interbranch transfers have tronic interbranch transfers have

become a reality.

Turkey's banks have long been a key target for sellers of hard-ware and software. They account for around one-half of the installed mainframes in the country and as hearth automatically. country and, as branch automa-tion proceeds apace, an even lar-ger share of the micro-based

The banks have naturally tered have come from the banks' started by computerising their antiquated systems - "I came back-office functions such as across one case of a bank requirement." pack-office functions such as across one case of a bank requiraccountancy and personnel ing 47 different documents for
records. Most have chosen IBM one particular transaction," says
machines, in particular the 4381, Mr Cengiz Ultav, a leading Istanbut, as they have begun to integrate branch activities, have
been finding the need for larger
machines such as the 3090.

Il nisva/Burrougha have also Here in the rest two wars the

Uniss's Burroughs have also Here, in the past two years, the made some major sales. At introduction of digital switching branch level, Mixdorf and NCR and, slowly, of optical fibre with its Tower System have been the market leaders. Where software is concerned, some banks have sought to develop their own — and usually have run into drastic problems which they are only just solving.

Other banks, such as likiset, have bought ready-made packages, adapting them to Turkish and to Turkey's eisborsts banks been turning to foreign banks for help, thought in one

ages, adapting them to Turkish and to Turkey's elaborate banking procedures. A third solution has been turning to foreign banks for help, though in one case involving a US bank the quality of help provided was found upsatisfictory.

base management and other with banks in the past year, while another company active in this market is MSA of the US,

which is working with the local software house TES. Also a new feature of the market is the availability of software developed in Turkey. NCR has developed a package for branch automation in con-junction with Pamuk Bank and

is now marketing this with third parties. Most banks' eventual aim is to go fully on-line, a target which will open up demand for

Pamuk, Is and Yapi Kredi, Iktisat and Ulusiararasi (Interbank)

have made good progress. The state banks are generally lagging and at best are working in batch mode, that is with branches sending tapes. anks for help, though in one vendors is large, according to Mr state banks are generally lagging and at best are working in batch rality of help provided was bank and at best are working in batch rality of help provided was bank and at best are working in batch rality of help provided was bank and at best are working in batch mode, that is with branches some of the problems encounsupplier of fourth generation head office.

One of the difficulties is that most settlement between the dif-ferent banks is done physically, with cash and cheque being trundled from bank to bank - a legacy in part of the deep dis-trust most Turkish banks have for each other.

This may change as the banks continue implementing their own systems and adapt in fully computerised form the uniform accounting system imposed by the Central Bank in 1986; at present most if not all give their weekly or monthly reports to the Central Bank in hard copy rather

David Tonge

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MEMBER OF THE INTERNATIONAL CONFEDERATION OF POPULAR CREDIT

Symbol of a promising future

be built on strong corporate growth and foreign investment.
With the first step on November 16 the doors opened on a new trading system. Instead of a quiet two or three sessions each day spent matching written buy and sell orders there is now the din of a continuous auction involving about 120 dealers on a crowded trading floor with its own his board.

own big board.

Both volume and pices picked up dramatically immediately after the official opening as investors demonstrated confi-dence in the new system and flooded back into the market.

They had abandoned it in speaking of a "cautious bullish-droves only three months earlier after the index hit a giddy peak of 1,332 - more than neven times "We believe that the Governits value at the start of the year." ment will issue a decree to

OPENING a new stock exchange building with full fanfare in the midst of a world-wide equities crisis might seem unfortunate timing. All the more so when the fledgling Istanbul market had itself been in steep decline since the late summer.

Yet for the market authorities the modern exchange at the mouth of the Golden Horn is a symbol of a promising future to be built on strong corporate growth and foreign investment.

The speculative bubble burst amid rumours that the Government was about to dump stock on the market under its privatisation programme. The Gulf conflict, uncertainty over the genical election and the global collapse of share prices in October then took their toll and the index lost more than half its value, tumbling to a low of 575 in early November.

Most Turkish investors are newcomers to the stock market which handles Turkey's 5 per cent allocation in the EBC-Amro

Most Turkish investors are newcomers to the stock market in an Islamic country with little tradition of share trading. The tiny exchange, similar in size to the Athens market, was only revived in December 1985 after being dormant for some 60 years. In a thin market where as few as 50 shares are actively traded, wice sains are easily exaggerprice gains are easily exaggerated. The summer euphoria fed on itself, helped along by lower interest rates on bank deposits and a tax holiday on share dividends and capital gains.

Yet despite the harsh correction track water the area to receive the correction track water to the correction.

tion, stock market officials are

Foreign interest is none the leas strong. Ottoman Bank, which handles Turkey's 5 per cent allocation in the EBC-Amro Mediterranean Growth Fund, has so far invested \$3m to \$4m on behalf of the fund and individual foreign clients. Some clients want to invest as much as \$10m at once in this latest 'exotic' market, but the bank is urging-caution because of the shortage of liquidity in Istanbul, a senior executive said. executive said.

Turnover at the August peak was only \$4m a day and dropped to as little as \$100,000 during the Ottoman Bank, which is 46 per cent owned by Paribas of France, says it has worked out a trouble-free system for repatrist-ing its clients' capital which has

won approval in Ankara.

ment clarifies the foreign invest-ment law - and some observers harbour doubts about its willing-

come before the stock market can stand on solid ground.

For foreigners there are no hedging instruments to offset the rapid devaluation of the Turkish lira and ready foreign exchange for repatriating funds is in short supply. There is also little research on Turkish companies, though this can work to the advantage of those with privi-

persuade more Turks to take their money out of traditional havens such as gold or foreign currency and to invest in the market either directly or through the handful of mutual funds. Investors confidence in industry is probably still seriously inhibited by the high rate of inflation.

Turkish companies, meanwhile, have to be persuaded to put more of their tightly-held stock into public heads. stock into public hands. Most have no more than 15 or 20 per cent of their shares on the mar-

ment clarifies the foreign investment law - and some observers
harbour doubts about its willingness to do so - there will be a
host of other obstacles to overcome before the stock market
can stand on solid ground.

For foreigners there are no
hedging instruments to offset the

Despite these qualifications, some brokers view prospects as promising, with price earnings ratios now back at more realistic levels and the new trading sys tem up and running.

advantage of those with privi-leged access.

The authorities will have to persuade more Turks to take their money out of traditional havens such as gold or foreign currency and to livest in the market either directly or through

Poreign institutional investors awaiting their cue from the Government could provide the market with the stability it needs.

There's a lot of interest in Turkey, and I don't think it's going to wane with the decline in stock

Allego Maittand

Central role in economic management for the State Planning Organisation

ANY FOREIGN businessmen or banker wishing to do business in Turkey will find that along with familiar institutions, such as the Treasury and the Department of Foreign Trade, he will also spend a lot of his time in one which does not have a counterpart in most other OECD countries - the State Planning Organisation (SPO). The longer he stays in Turkey, the more he will realise its central role in the overall management of the economy.

Set up in 1961, when Turkey opted for planned economic development, the SPO is responsible for drawing up Five Year Development Plans and annual economic programmes, as well as for formulating and co-ordinating economic policies.

With nine departments, it is larger than most departmental ministries, possessing economic functions but no monetary ones.

The SPO's powers were given a boost when the present Prime Minister, Mr Turgut Ozal expanded its role by setting up departments responsible for foreign Investment, free zones, and EEC affairs under the organisation's umbrella. Infrastructural projects have to get its approval, as well as that of the Treasury, before they can go shead.

The current Five Year Plan (1965-1990) was drawn up in line with the Prime Minister's aggressive liberalisation programme. Accordingly, emphasis has been shifted to the private sector, and a gradual relinquishing of the state's role in the economy. in 1984 he placed his brother, Dr Yusuf Bozicurt Ozal, in charge of the organ

Dr Ozal resigned in September to run for Parliament on the ticket of the ruling Motherland Party and is widely expected to be a senior minister in the new Government.

In addition to its crucial role in making economic policy, the SPO has served as a springboard for many a political career, including that of Mr. Turgut Ozal, who was twice at its helm. Many of the Prime Minister's most senior cabinet ministers worked with him in the SPO under the Demirel governments

The appointment of a new SPO chief will be one of the main pointers for the economic policies Mr Ozal intends to follow during his

Among the names most frequently raised is that of Dr. Ertan Yulek, who like the Prime Minister, is a trained engineer and has, at various stages of his career, served in the SPO. Other likely candidates, are Dr. Ali Tigral and Bulent Ozturkmen, respectively heads of the Economic and Social Planning and Erector treetment and Server. and Foreign investment and Free Zones Departments of the SPO.

Dr Tigrel, who spent his school years at Holland Park Comprehensive in London, is one of Turkey's best-known officials, internationally, generally identified with the sections of the government which would like to keep GNP growth around a relatively modest 5% mark and ease pressure on the purposet. 5% mark and ease pressure on the current

Amberin Zemen

Profile: the Turkish trading company, Penta Dis Ticaret

A locomotive for export growth

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FOR 'A rega-to-riches tycoon, Penta's chairman, Mr Murat Varge could not be further from the company with a specific of exporting.

After a spell with Ram, the trading arm of Noc Holdings, After a spell with a become markets has become trading companies with exports this year expected to too 2500m.

Established in 1976 with four of Varget's classmatics, Penta moved from number 15 in the specific of pental peace of the top-three this year expected to too 2500m.

Established in 1976 with four performance of the finding companies accounted for 65.5 in the state of the specific of the majority of state of the specific of the majority

	Fore	ign tr	ade by	area	s	1
	1986	(% sha 800 1967	re of tota EC Co 1986	d) unities 1987	Islando (1986	Complete 1967
Exports	54.0	68.5	42.7	48.9	38.9	27.4
èmports	65.7	63.3	41.7	39.1	19.8	23.2

Balance o	prpayments			
Figures in Ti.m.				
	1967*	1986		
Exports	7,883	7,456		
Imports	10,795	11,104		
Trade defloit	-2,912	-3,848		
Interest payments	-1,382	-1,302		
Workers remittances	1,291	1,010		
Current account!	-310	1,208		
Direct Investment	105	98		
Dept principal repsyment	1,790	1,464		



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Still scope for growth

TURKEY'S EXPORT drive to the Middle East has yet to recover from the nose-dive it experienced following the decline in oil prices last year. Once a booming market, the region no longer

offers the same opportunities.
The launching of Prime Minister Ozal's trade liberalisation programme saw the Middle East and North African share in total exports leap by a record 41.8 % between 1981 and 1982 Reduced oil revenues led Turkish exports to the region to plunge by 23.7 % between 1985 and 1986, while they continued to slide by around 8 % this year.

Government sources do not

express much surprise over this state of affairs. The dependency of these countries makes trade difficult to predict," says one official, adding that top customers, Iran and Iraq, are now spending most of what they have

on military goods.

OECD-bound exports which stood at \$2.823 bln in the first three quarters of 1986, shot up by 61.7 % to total \$4.665 bn in the corresponding period of this

hold for Turkey's trade with her Middle Eastern neighbours? Official sources state that while Turkey remains committed towards intensifying relations, this will largely depend on petroleum prices and the outcome of the iran iraq war.

Economic relations between Turkey and the Middle East are, however, not just limited to

Oversess contracting activities are a major source of foreign exchange and of employment for Turkish workers. But shrinking oil revenues coupled with the completion of most of the infrastructural media of these coupled. tructural needs of these countries, have seen the fortunes of Turkish contractors dwindle. lopes now are that, if and when the Iran Iran war ends, the Turks may win a sizeable chunk of the

struction market. In the long run, Turkey's role as a land bridge between the Middle East and Europe seems to

Since Iraq's falling out with Syria over the Gulf, Turkey has become the main outlet for Iraqi crude through two pipelines run-ning from the Kirkuk oil fields in Northern Iraq, to the Mediter-ranean port of Yumurtalik in Southern Turkey. With a total capacity of 71m tonnes, the pipelines secure \$450m annually in

royalties. Discussions are now under way to build a third pipeline.
Projects to carry natural gas from Iran, Syria and Gatar are also being considered according



Meet production plant in izmir, propering packages for export to the Middle East.

to Mr. Fatih Ocal, Deputy General Manager of the National Pipeline and Petroleum Trans-

Pipeline and Petroleum Trans-portation Company, Botas.

"Whether any of these projects are realised will largely depend on the pipelines being extended to Europe, otherwise they wouldn't be cost-effective," says Dr. Namik Kemal Kilic, head of the Foreign Investment Department, created by Mr. Ozal. He remains optimistic on this score, stating that the Europeans would like to see their present dependency on Soviet natural

dicate that while negotiations are continuing, unease feit towards the Khomeini regime make it difficult to envision any deals being struck with Iran for the time being. The same sources add that securing financing for its estimated \$12bn cost and the distance involved, could stand in the way of the Qatari project. in fact, the Syrian pipeline has a much higher chance of realisa-

tion because it is very near the Turkish border," said Dr Yusuf Ozal, the brother of the Prime Minister and a newly- elected Motherland MP, in a recent speech. Syrian diplomatic sources confirm that both sides are discussing the possibility of a light possibility of a second state of the state joint venture between the Turk-ish Petroleum Company (Turk Petrol) and the Syrian government to develop recently discovered gas reserves, initially estimated at around 3m cubic

restricted to oil. The "Peace Pipeline, Mr. Ozal's most ambitious project to date, would involve carrying a total of 6m cubic metres of water a day, through one "western" and one "gulf" one western and one gult-pipeline from the Seyhan and Ceyhan rivers in Southern Tur-key. The first one would run through Syria, Jordan, the West Bank and Saudi Arabia, while the second one would run through Kuwait, Saudi Arabia, Bahrain, the UAE and Oman.

would this affect Turkey's recent

application for full membership

choice between two is not likely to arise, simply because chances

of a common market being estab-lished between members as

nomic make up as those of the

within the OiC framework have nonetheless, started bearing fruit. Dr Kilic points to a joint venture agreement recently

signed between Turkey, Tunisia and Kuwait. The \$300m project

involves the construction of a fertilizer plant with Kuwaiti funding, Tunisian phosphates and Turkish manpower, and rep-

resents the largest arab invest-

Turkey is typically limited to import export firms with capital not exceeding \$150,000. Arab

diplomatic sources indicate that Mr. Ozal's re-election is likely to boost investor confidence and

Joint economic activities

diverse in their political and eq

OIC, are rather remote.

to the EEC?

ment to date.

These countries, now paying 35 per litre to desalinate their water, will see this figure drop to \$1 if the project comes through. Arab diplomatic sources declare that Israel's involvement, among other things, makes the proposal impossible for them to accept. Mr. Osal argues, however, that the project, already proven economically fessible, would

Whether obvious economic advantages will override political differences remains to be seen. Firstneing could also be a prob-lem with initial estimates setting

its cost over \$12bn.

A second pre-feasibility study will soon be undertaken with Turkish financing by US's Brown and Root, indicating that Mr.Ozal remains undeterred.

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sector companies on an experi-mental basis as part of Turkey's overall privatisation scheme. Less than 48 hours later, Istan-bul's Stock Exchange went into a

LAST AUGUST, the Prime Minis-

ter Mr Turgut Ozal, anniounced that the state had sold some of

its stakes in six blue chip private

frenzy. According to Mr Ozal's initial statement, a limited num-ber of state-owned shares had en floated on the market. He did not disclose any details about

Stock prices in Istanbul plunged and anxious dealers and even market officials publicly est doubt on the sale. They said that there had been no notice-able increase in transactions which would have proved that the 'secret dealing' had taken

in fact, the sales were an at and the volume was so small that it took months for market experts to track down approximate dates of transac-tions and guess the identities of the intermediaries involved. Mr Cengiz Israfil, formerly of J. P. Morgan and now the prime minister's adviser on privatisation, says that the episode was blown out of proportion by the local press. The government was sim-ply testing its own ability to sell off shares and the complications

of the market.

Turkey's privatisation agenda is lengthy and somewhat controversial, with many Turks acrustomed to a deeply statist economic as well as political tradition. Many of the publicly owned bodies are very large. They are badly managed and often technologically old fashioned compared to the private sector.

Accounting standards are low.

Privatisation plans

Clearing the decks

Above all, there is only a very ship in Turkey and private enterprise is still viewed with suspicion in some quarters. Some Turks even express the fear that the whole privatisation scheme is just a ploy to sell off State Economic Enterprises to foreign-

The charge crops up from time to time in the columns of the press. So does the claim that the government favours privatisagovernment lavours privates of the simply as a new form of domestic borrowing in October, the government announced its first major decision. It transferred ownership of the Sumer-bank and Petkim, two of the most complex State Economic Enterprises (SEEs) to the Mass Housing and Public Participa-tions Fund Authority.

Sumerbank is Turkey's largest textiles producer, and has substantial other manufacturing activities. Petkim is the state petrochemicals corporation. The transfer to the fund was interpreted by manufacturing the former of the fund was interpreted by manufacturing the former of the fund was interpreted by manufacturing the former of the fund was interpreted by manufacturing the former of the fund was interpreted by manufacturing the former of the fund was interpreted by manufacturing the former of the fundamental fundamental former of the fundamental fundamental fundamental former of the fundamental f

transfer to the fund was interpreted by many as the first sentous step towards privatisation.

"They are the first SEEs for which this step has been taken," says Mr Israfil, "but they may not necessarily be the first ones to be sold off. The privatisation of Petkim and Sumerbank could be a lengthy process."

Sumerbank consists of 43 stablishments from a bank to textile factors and shops. Nominal value is said to be TL200hn. Petkim, in which the Treasury

had a smaller stake of 95%, (most of the remainder belonging to a pension fund) has petrochemical plants at Yarimca near Istanbul, Alpet near Izmire, and Petlas, a tyre producer near Kirsehir which has not actually gone into production. Alpet is said to have covered its foreign debts and to be currently financing itself. Yarpet is expected to make a profit of TL35bn (\$36m) in 1988. The ventillation of the profit of th

tures likely to be sold off before either Petkim or Sumerbank are much smaller. They include the Bogazici Air Transport Company. Usas the airport ground services corporation, Turban, a hotel chain owned by the Tourism Bank, and Citosan, the state cement corporation. Five of Citosan's cement plants look likely to attract buyers, as do the Turban

An announcement on which company will be sold off first is company will be sold off first is likely to come soon after the new government has been installed. But Mr Israfil believes that tack-ling the difficult privatisation candidates along with the easy ones is a must or else there will be a gap.

"Actually, none of them is easy. But there are no impossible ones either if you are determined. Auditing would take a lew weeks in the case of USAS, but I don't know how long it would take for the Sumerbank, it con stat

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would take for the Sumerbank, it is a big project," he says

The authority is considering breaking up the Sumerbank and heining off its industrial activities from the banking operations. "In this process, we may think geographically, and if there are two separate Sumerbank establishments side by side, we could consider selling them off together," says Mr Israfil.

A more delicate problem is

A more delicate problem is what to do with chronic lossmaking enterprises. A report on the Turkish fertilizer industry prepared by foreign consultants branded three plants as hopeless and recommended their closure. Similar cases are likely to arke

There is also the question of management as well as of the sale of state owned shares. Mr Israfil says that the first two privatisation steps are the drawing up of a new corporate charter laying down new rules, and reorganisation within a fixed time

For Mr Inal Atac, an advisor on privatisation at the Turk Ekonomi Bankasi, a major issue is the infrastructural work for the privatisation of the cament plants.

"Various methods may be applied," he says. "There are groups which have proved themselves already within specific SEEs. These could become managing groups. In fact, an article could be added to the contract and a share issued to such a group on condition that they would manage the company for 5-10 years.'

Mr Atac says, however, that a bigger obstacle is lack of public awareness of what stocks and securities are.

He says that the growth of the Istanbul Stock Exchange is having a major effect on the growth of money markets and leading to increased trading in stocks. However the shares of fewer than 50 companies traded on the Istanbul Stock Exchange total ground TL 35bn (\$35m). But a small SEE would probably be valued would probably be valued around TL 25bn.

*Under these circumstances, he says, "it is not possible to sell off all the SEE shares at on the

So what should be done? According to Mr Atac, the shares could be sold through banks and these could then be released into the second, larger market of non-prime shares on the stock exchange. There would then be a gradual shift towards the upper market and eventually permission would be granted for many of them to be traded on it. ismet imset

Problems for pharmaceutical companies

Battle against piracy

WE ARE not investing in Turiosy until a new patent lew comes out, one large UE hunth cars company announced at a business lunch in

Istanbul, earlier this month.

The company's comments come after four years of frustration at the first Ozal government's failure to act on its promises to protect torsign pharmaceutical companies from piracy.

At present, Turkish law offers no protection to the companies to months to the companies of the companies to the companies of the companies of the companies to the companies of the companies of the companies to the companies of the compa

these companies, to manufacturers of veterinary and agricultural chemicals and to computer

nary and agricultural chemicals and to computer companies. It is a situation which has discouraged the ten foreign pharmaceutical companies in Turkey from making any major investments for nearly a decade.

Indeed, Squibb and Abbott have now withdrawn and are operating only on the basis of licence agreements with Pako, one of the largest of the 60 or so local producers. Six of the 70 drug companies active in Turkey control half the market.

The companies have other complaints such as the problem in obtaining government approval of price increases and restrictions on the pricing of imported raw materials but, with

one tenth of that in Sweden, the opportunities are high - as, in parallel, is the level of impa-

are right - as, in paraise, is the level of impa-tience with the current patent law.
"The law makes introducing a new technology a serious risk," says Mr Alev Sonat, general manager of Pizer, who is co-ordinating the for-

manager of Prizer, who is co-ordinating the for-eign companies' efforts.

Two years ago the draft law tackling this issue was rejected by a parliamentary committee. The matter was then taken up in the cabinet, but was dropped in the face of strong opposition from the ministers of health and agriculture.

Now the US-Turkish Business Council, a body

of prominent industrialists from both countries, is to take it up with the Prime Minister. But optimism is tempered.

"We had hoped that Turkey's application for full membership of the EC might speed things

along," one businessman seys. "But the omens are not good, Italy only accepted EC patent practices in 1979 and Spain is openly violating

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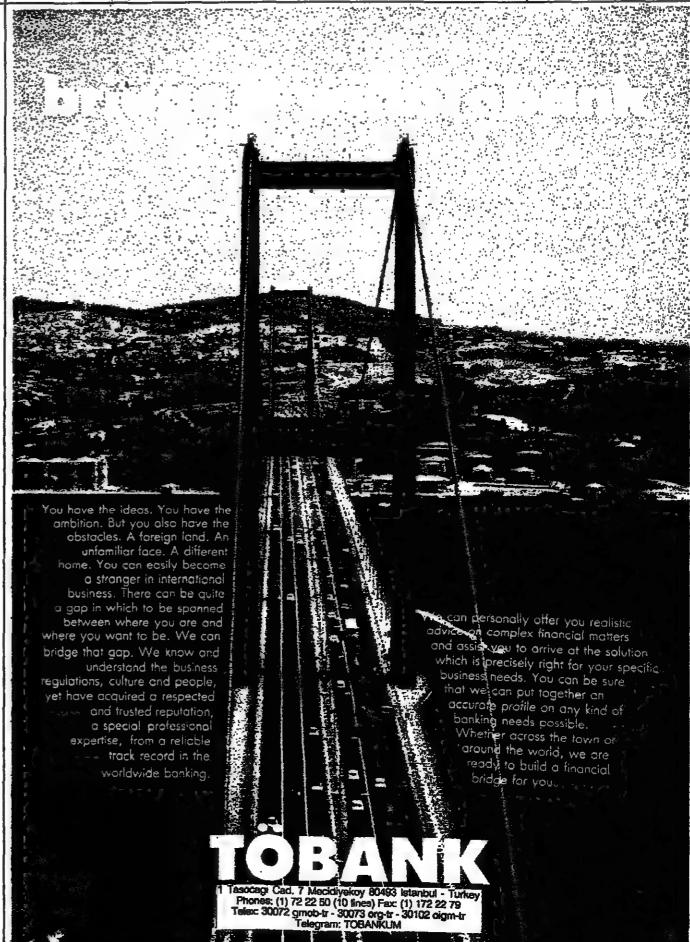
Tetra Pak-Nasaş. Another Nasaş joint venture to manufacture packaging material that's a world standard.

Borunas. Another Nasas owned company which produces 2.000,000 meters of welded aluminium irrigation pipes. Internas. World trading base of Nasas companies.

operating out of Geneva Switzerland. So, for an even closer look at possibilities with Nasas,

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Preparations for a numorganisations.
Somebody bid one-fifth of our ber of major contracts are under way

Mr Yusuf Akcevin, who manages Gama, one of Turkey's lead-ing engineering groups, acknowl-edges the essential importance of the public sector. The company has some private sector work it has for the past five years been producing steam generators under licence from Babcock and Wilcox for private customers but the group looks to the public sector for the bulk of its activity.

"We are therefors obviously affected by political decisions. But I believe those decisions will favour continued infrastructure. favour continued infrastructure developments.":he says. Turkey still has infrastructure gaps compared with Western Europe - like an electricity gap, for example.

"I certainly expect the commissioning of more power plant. There are also signs that investment in the infrastructure by municipal authorities is stroying."

I a paper on the subject Mr Fegley fired a series of critisisms at engineering in Turkey. His targets included:

O The Government for giving work to Government-owned or established engineering companies with token competition or none at all.

municipal authorities is growing and will continue to do so.

mot willing to spend time in advance of construction fully co-ordinating the engineering co-ordinating the co-ordinating the engineering co-ordinating the e

In Turkey, military require-ments also form a significant ele-

In Turkey, military requirements also form a significant element of activity for the engineering industry. Turmas is currently working on a navel base in the south west of the country, and 20-25 per cent of the group's activity is typically for the military.

In the longer-term, however, a much bigger question about the Turkish engineering industry awaits an answer. This is whether and how the sector which remains heavily dependent on foreign contractors and partnership projects which often involve little technology transfer will develop into a fully self-sufficient, national engineering consultancy services.

Turkish government has begun to respond to some of these concerns. The Ministry of Industry and Trade has produced a draft decree; on which consultations involve little technology transfer will develop into a fully self-sufficient, national engineering consultancy services.

The reason for the low pay, say critics of the structure of

TURKEY'S engineering industry, like other sectors of the economy, is waiting to evaluate what effect the widely expected period of post-election financial restraint will have on its forthines.

Public contracts are crucial to continued strong activity in the Turkish engineering sector. There is, however, considerable optimism among leading figures in the industry that engineering will not be seriously constrained.

Preparation and contracts for a muniform of major projects such as engineering in Turkey, feeds back to the fact that customers expect engineering and design curvities to be carried out for unrealistically low fees.

There is insufficient appreciation of the value of good engineering in Turkey, feeds back to the fact that customers expect engineering and design through the first insufficient appreciation of the value of good engineering in Turkey, feeds back to the fact that customers expect engineering and design through the first insufficient appreciation of the value of good engineering in Turkey, feeds back to the fact that customers expect engineering and design through the first insufficient appreciation of the value of good engineering in Turkey, feeds to the fact that customers expect engineering and design through the first insufficient appreciation of the value of good engineering in Turkey, feeds to the fact that customers expect engineering and design through the first insufficient appreciation of the value of good engineering in Turkey, feeds the fact that customers expect engineering and design through the first insufficient appreciation of the value of good engineering in Turkey, feeds the fact that customers expect engineering and design through the first insufficient appreciation of the value of good engineering in Turkey, feeds the fact that customers expect engineering and design through the first insufficient appreciation of the value of good engineering in the Turkish market. mumber of major projects such as the being undertaken too cheaply, the proposed latenbul Ankara motorway are at an advanced stage, and it is thought improbamotorway are at an advanced stage, and it is thought improbable taken to curtail or delay such works.

We works the current example of ten contracts from the latamble be taken to curtail or delay such works.

We work the current example of ten contracts from the latamble but municipal authorities for a new drainage system in the city, each worth between TL500,000m and TL1bn. Blmas was awarded none of the contracts, many of which have gone to little-known organisations.

price. It is, by any standards, simply impossible to do an adequate job at this price. Some-times people with little or no experience of managing big projects literally scratch together a team of people to do the job. You go and look for their offices and find that they do not exist."

Mr Canzi and Mr Charles Feg.

none at all."

D impatient clients who were

not willing to spend time in advance of construction fully co-ordinating the engineering

engineering consultancy ser-vices.

self-sufficient, national engineer.

Turkish universities produce a commendable number and qualities produces. They often finity of engineers. They often finity of engineers. They often finity of engineers. They often finity of engineers of one only slightly cynical observer, "running grocery shops."

Low pay by international standards is a large part of this problem. A newly qualified young engineer would typically earn TL350,000-TL400,000 per month in his or her first job, using after several years experience to TL600,000. This is not enough to persuade many of the most able engineers to remain in the profession.

The several is a large part of the most able engineers to remain in the profession.

industry showcase

TURKEY'S BOLK as an indus-trial nation and as a potential EC partner will be demon-strated in London next spring-with the country's first-ever industrial exhibition to be held on foreign soil. The exhibition, to be held at the Barbican Centre from April 1821 1838, will be sup-

Turkish industry, which esports some 60 per cent of its output to the European Community. Rieven companies will fea-ture products from Turkey's growing electrical equipment sector, other categories will include electronics, petro-

include electronics, petro-chemical products, iron and steel products, coment, ceramics, glassware, textiles and carpets.

Different textiles of the event, arranged through the Turk-isk-British Chamber of Com-

merce and Industry, are available from the McCann Consultancy in London,

THE CUKUROVA REGION OF TURKEY The Financial Times proposes to publish this Survey on Monday 29th February 1988.

For further information please contact:

Mr Ciro Costante, Telephone Irumbul 5221304 or 5277084;
internatively, Chris Schanning at the Financial Times,
Telephone London 248 8000, extension 3699; Telex 88 50 33 FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

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Contracting

Saved by strong domestic order inflow

DESPITE the sharp fall in orders from abroad, especially in the Middle East where they won many large contracts after 1931, major Turkish building contracts after 1931, major Turkish building contracts of the significant rise in domestic infrastructure ractivity has generally allowed them to carry on without cutting their workforces.

For Mr Dilek Gudrun, the personnel manager of one of Turkey in completion to build a gas pipeline from the USSR to Ankara and there are somel manager of one of Turkey in completion to build a gas pipeline from the USSR to Ankara and there are somel manager of one of Turkey in completion to build a gas pipeline from the USSR to Ankara and there are somel manager of one of Turkey in completion to build a gas pipeline from the USSR to Ankara and there are somel manager of one of Turkey in the sake of the country's essential. The human and technical capital built up by such organisations as Enka, Eska, STFA and Kiska must be maintained for the sake of the country's economic future. In the past three years, however, the percentage of foreign contracts in the portfolios of major construction companies has declined from above 60 per cent to something nearer one third, the value of domestic contracts having risen by an inverse in the strong of the provided in the profitability of major companies when the suggest of the position it enjoyed five years ago. The foreign share here is accounted for enjoyed five years ago. The foreign share here is accounted for enjoyed five years ago. The foreign share here is accounted for enjoyed five years ago. The foreign share here is accounted for enjoyed five years ago. The foreign share here is accounted for enjoyed five years ago. The foreign share here is accounted for enjoyed five years ago. The foreign share here is accounted for enjoyed them to carry on without cutting where the company is building observed in the 2800m Brega New Town, and in Libya Santh here is accounted for enjoyed them to such the following projects in Median. It has been the c tracts having risen by an inverse

proportion.
Enka still holds pride of place.
With contracts worth US\$2.1bn
last year, \$1.4bn of which were
abroad this company tops the
list. Whether it is the most tightly run or the most profitable con-tractor in Turkey is difficult to say as many people in Istanbul believe that the more conservatively run STFA (which stands for the names of the two founders, Mr Sezai Turkes and Mr Feyzi Akkaya) is more than a match, despite its smaller size. Enka is still heavily involved in the Middle Part, potchly in

in the Middle East, notably in

in Yalta, a hotel in Tbilisi and a trade centre in Moscow.

Enka's managing director, Mr
Ali Kusi professes not to be too worried about the profitability of such projects. Company officials also insist that they do not face any real payments problems in Libya, a claim which is received the end of 1987, and despite the with a decrea of securities has required to complete large contracts can be found in-house. By with a degree of scepticism by relative retrenchment where their rivals. contracts overall in Africa and the Middle East are concerned, Kutlutas will have concerned, Kutlutas will have concerned, Kutlutas will have completed projects abroad with an aggregate value of US\$1bn.

The major thrust outside the many projects to include the many projects to include the many projects to include the many projects to include the many projects to include the many projects to include the many projects to include the many projects in the US\$R and it is included the many projects in the US\$R and it is included the many projects. Kodden Horn and housing projects, Roads, and military projects, notably at the US Air Base at Incerlik near Adana other companies (Gama, Guris, Kiska and Entes) called Mir

reversal of the position it (which means peace) eight enjoyed five years ago. The foreign share here is accounted for essentially by Saudi Arabia animal, most of its work being where the company is building located in Turkey. After an expetogether with Enka, a US\$383m located in Turkey. After an expetogether with Enka, a US\$383m located in Turkey as him built a new town at Ras is loath to describe as a happy case, Eaka has focused its activities in four areas.

First of all tourism which is currently undergoing a boom in Turkey are now priority projects in seaside villages figure prominently in the company's portformently in the company is possible to the company in the company in the company in the company is portformently in the company in the company is possible to the company in the company is possible to the company in the company in the company in the company is possible to the company in the company in the company in the company in the company is possible to the company in the company in the company in the company in the company is possible to the company in the company in the company in the company in the company in the company in the company in the company in the company in the company in the company in the comp

being done in partnership with major tour operators such as Neckermann. One major hotel project for Istanbul, for 4,000 beds, will be done with Holiday

The 650-bed integrated Club Aldiana, east of Antalya, does at least show sensitivity to tradi-tional forms of Turkish architec-

rojects nearing
Saudi Arabia (a water dramater project and construction of water mains in the city of Mecca), a US\$35m quarry project in Libya does not look very exciting. True, the company does have a good portfolio of projects in Istanbul, notably the second Bosphorus Bridge and various sewage projects.

The is of course difficult to know a limit of the projects of the Turkish economy one is tempted to conclude so far so good. Construction will account for 4.3 per cent of gross national product at current prices this year compared with 4 per cent in 1986 and 3.8 per cent near before. But what hap ney

hand today, but it is obvious that
the days when the total value of
contracts in the Middle East
amounted to US\$1.12bm, as was
the case six years ago, are welland truly gone.

The present buoyancy in
domestic building of all kinds
has certainly helped many Turkish contractors but they are
earning Turkish Lira and not
foreign exchange while the real
rate of return on investment is rate of return on investment is anybody's guess.

Quite apart from the fact that the price of oil is unlikely to rise very much next year, competi-tion in the Middle East is fierce. South Korea can offer better prices while other companies can undercut Turkish ones with the help of very cheap Pakistani or Filipino labour.

picture.

Kiska is another company which has retreated from abroad state in the company with the company wit which has retreated from abroad where, five years ago it was conducting 50 per cent of its business.

SFTA is also doing more work in Turkey today. With two major projects nearing completion in Saudi Arabia (a water drainage project and construction of water mains in the city of Mecca), a US\$35m quarry project in Libya does not look very exciting.

True, the company does have a when looking at this impor-

per cent in 1986 and 3.8 per cent the year before. But what hap-pens if the rate of growth in Turkey has to be slowed next year because of inflationary

Whatever is on offer from the USSR in the years to come will be helpful but is unlikely in the view of many observers to offer such rich pickings as the Middle East. Many companies are quite open about their hopes for an end to the seven year Iran-Iraq War. A reconstruction bill of at least US\$100bn would indeed offer some golden opportunities. But that hope alone may not be enough to sustain the current level of activity in the late 1980s.

uestion:

What is the connection between China and Mensucat Santral?

Inswer:

China has a population of over one billion. We have produced over one billion metres of bed linen and interlinings so far.

> MENSUCAT SANTRAL "billion is impressive"



TEXTILE MANUFACTURING INC. Export Office: Demirhane Cad. No: 90 34770 Kazhçeşme-Istanbul / Turkey Telephone:(1)582 73 40(7 Lines),(1)582 33 84,(1)582 57 78 Telex:22821 mesa tr,22364 mens tr Fax:(1)582 57 81 Motor industry

Substantial rise in car production

THOUGH STILL an infant by bution networks for the foreign natonal market in larger num-European standards, Turkey's makes are limited and replacing bers than local production. motor industry is gradually rally parts is very expensive and The Gulf War has driven away ing as far as passenger-car pro-duction is concerned, but faces a Most producers regard protec-

in Turkey has grown by more than 37%, reaching an annual production record of 82.032 in 1986. A two-month waiting list for delivery for passengers has climbed to six months or more, reflecting growing demand.

This rise in demand has less to do with the quality of cars, how-ever, than with import tariffs and other surcharges which make foreign cars two or three times the cost of local vehicles.

Sales of imported cars jumped after imports were eased in 1984, small by European standards from 4,000 in 1983 to 8,849. The and require large scale investshare of imported cars in the domestic market has risen from 7% in 1983 to just under 18% in 1985, with 12,806 cars imported.

By 1986, however, the import regime had been amended and tariffs and surcharges were back up again. Imports of passenger cars fell to 6,937 or around 8% of the market. The downward trend continued this year with 1,192 imported passenger cars sold in the first six months, or around

2.2% of the market. The managing director of one leading car importer says that the new climate has forced some the new climate has forced some foreign car companies to halt all sales to Turkey. "The import figures show," he says, "that the liberalisation of passenger cars has not reached its target of increasing the quality of local production and holding prices stable."

Increased tariffs and trebled surcharges have shifted domestic demand back to local cars, causing shortages. Importers now feel they face difficulties which they did not anticipate when they went into the market soon after formation of the Ozal govern-

in the first days of import lib-

Community.
The three Turkish producers dominate the car market, thanks to protection, though they are all

Although car production is at record levels, waiting lists are long.

Renault (a joint venture in year the which foreign partners own 44%) with 32,943; and Otosan (an off-running shoot of Ford which owns 16.8%) at \$360m

placed this month will be delivered in July. The car sales boom is taken by many to show that the motor car has become a form of savings for many Turks, try-ing to hedge against soaring inflation and - till last July - low interest rates for bank deposits. But this makes the industry pre-

Changes in macro-economic than they would eisewhere. The strong demand is, nonetheless, set to grow as the population and income figures rise. All three local producers are planning to increase production. Tofas aims at 100,000 cars a year by 1989; while Renault has set targets of to compete with EC industry in all sectors except the motor for 900. Otosan is believed to industry.

sector is also showing promising the industry competitive. There signs, though in 1987 only 33,636 is scope for a healthy motor tractors have been produced industry in Turkey. It is just that compared with 45,946 in 1984.

Many customers in fact point to the easy availability of spare parts and nationwide maintenance when buying cars. Distri-

The Gulf War has driven away much of the transit trade to the duction is concerned, but faces a serious crisis in the commercial vehicles sector.

The number of passenger cars produced over the last five years in Turkey has grown by more in Turkey has grown by more commercial to the first five months of this year, it was down at a survive inside the European dismal 5,304.

The chairman of the Autom tive Industry Association, Mr Ziya Ozkan, denies the Turkish motor industry is in crisis, saying instead that the problem is low capacity utilisation. Truck-producers believe that the way to overcome low utilisation in the truck sector is to support production and exports.

In practice, though, exports of the Turkish motor industry are going down. In 1985 motor Industry exports earned \$138m, but the figure sank to \$83m last and require large scale investment to reach a competitive size.

They are Tofas (in which Fiat of large variety) owns 41.5%) which produced 42,116 cars in 1986; Oyak \$812m in 1985, and \$767m last \$812m in 1985, and \$767m last thought in the first nine was thought in the first nine. year, though in the first nine months of this year they were running 40% down on 1986 levels

Total production this year should be around 88,400. Orders the collapse of Middle East markets, but there are some encour aging signs. Production costs seem to be falling with increased

> Government plans to liberalise the import of spare parts are viewed with some alarm, how-ever. Motor industry bosses gath-ered in Ankara recently for a Motor industry Council meeting renewed their appeal to the gov-ernment for help, citing Euro-

Turkey's overcrowded tractor work was under way to make sector is also showing promising signs, though in 1987 only 33,636 is scope for a healthy tractors have been appropriately.

Defence industries await major decisions on new contracts

Big plans to update equipment

to be off to a winning start. Tur-key has the largest army in Nato-except for the United States, dwarfing some West European nations. But our player, moving Turkey's 600,000-plus military personnel around the board, would soon discover that some of their equipment had a rather unsophisticated and elderly feel

Turkey is therefore now engaged on a large and expensive programme to update its plan for 1,698 armoured persondefence equipment. With the nel carriers and the new low general election over, some level air defence system. There important decisions, involving are three bidders for the valuable and keenly-contested armoured personnel carrier convaluable and keenly-contested armoured personnel carrier on international contracts, are tract, worth \$700m to \$800m imminent. The mechanism for Krauss Maffel of Germany, FMC carrying out the modernisation of the US and Britain's GKN - all programme is the Defence Indus in conjunction with local parttry Development and Support ners. British Aerospace is one of Administration (DIDA), set up, six bidders to meet the low level

Finance is fed into the fund from taxes on cigarettes, alcohol, gambling, bank account interest and other commodities and serallocations from the Govern-ment, are intended to make an annual \$1.5hn available to purchase weapons and equipment

As well as making direct purchases, the fund is intended to develop into an exporter of some support private investors and defence equipment. The most

"WE MAY be importing steel. But look around you. Even the huge

steel beams used in the construc tion of the second suspension bridge over the Bosphorus in Istanbul are of Turkish-made - at

Karabuk," says a proud Ihsan Aktay, the head of the Turkish

Iron and Steel corporation, which runs three of Turkey's

impose a surtax on steel imports

rom Turkey. But the Turkish steel indus-

and Sivas mills) and the Eregii Steel company, on the Black Sea

A wide range of DIDA projects provisionally identified for the next 10 years includes artillery radar, low and medium range air defence systems, armoured vehi-cles, control systems, warships, fighters and transport aircraft.

Turkey has embarked on a programme to modernise its M-47 tanks, and the first candiair defence contract.

Apart from improving Tur-key's defence capability and making it less dependent on foreign assistance in arms supply, the Government hopes that the DIDA project will have wider advantages in the industrial economy. These include technology transfer from defence to other industries and job creation.

her industries and job creation.

With 600,000 military personnel, Turkey has the largest army in Nato, except for the US. Turkey also has one the largest and

fastest-growing defence industries in Europe. complex at Murted which will eventually employ nearly 2,000 people. Production started early this year and the first Turkishbuilt F-16 flew in the autumn.

built F-16 flew in the autumn.
General Dynamics and TUSAS, the Turkish state aviation organisation, are the main shareholders in the joint venture with another US group, General Electric, also holding a minority stake. The Murted manufacturates of the state of the ing facility will supply fuselage sections and wings for F-16s being manufactured in the US for the United States Air Force, as well as producing 160 F-16s for the Turkish Air Force

en now and 1994. It is stressed that the Murted

an assembly one, which is seen in Turkey as the basis for reestablishing a national aircraft industry. Technical staff work-ing on the project are being trained in the US and General Dynamics is providing the senior management at Murted for seven

years. After this, they will hand over to Turkish deputies who are working alongside them. Turkey might also consider establishing its own helicopter industry. Defence specialists certainly see a need for Turkey to update its ageing helicopter fleet, important for both internal security. rity and communications in remote parts of the country.

Turkey already supplies a good deal of its own defence require-ments. Its shipbuilding industry produces frigates, submarines and a range of smaller craft, and many components and basic sup-plies are produced internally.

MKE, the state munitions organisation, has 60,000 employees in 18 factories producing not only armaments and ammunition but a wide variety of civilian equipment including earthmoving equipment, buildozers, textile machines and machine tools. Up to 10 per cent of annual production is exported.

One of Turkey's recent successes which grew out of supply

THE PLAYER selecting Turkey joint ventures in indirect ways in a board game based on Nato's like making land and industrial troop deployment would appear plants available.

THE PLAYER selecting Turkey joint ventures in indirect ways notable joint venture so far is project is a genuine manufacturing operation, rather than simply the production of General ing operation, rather than simply with funds from the Turkish Dynamics F-16 fighters at a new an assembly one, which is seen raises donations to help finance defence requirements

The founding purpose of Aselsan was to meet military electronic requirements, but today the company supplies a range of electronic equipment for civilian use as well. About one third of production is exported.

production is exported. Mr Hacim Kamoy, managing director, has made it his practice to recruit and train young staff and the company now has 2,700 employees including 350 professional engineers and 1,000 technicians with an average age of 28

In a country where the power and influence of the military has been strong both traditionally and recently President Kenan Evren, the present head of state, is the General Evren who led the 1980 military takeover the balance between senior officers and ance between senior officers and politicians is of critical signifi-

At present Turkey's Chief of Staff is, uniquely in Nato, senior to the nation's Minister of Mr Turgut Ozal, the Prime Minister, has indicated an interest in changing this rela-tionship. Observers are awaiting the outcome with interest.

Alon Pike

Steel industry's long-term export aims

Europe the key target

coast, are already pushing ahead in hard cash last year from steel

The industry, he adds, has expanded fast and is so export-oriented that even the United States has felt compelled to ship of the EC is their ultimate goal: to prepare for that day, the steel corporation will be increas-

try's eyes are not set on the US, but on Europe - and on Turkey's eventual membership of the EC and, consequently, of the European coal and steel pool. pellet and bulk ore supplied by these zones are not up to European standards. As a first priority, a new enrichment process will upgrade the quality of these supplies.

The corporation earned \$50m representation of the limit based Metas, until a supplies.

The corporation earned \$50m representation of the limit based Metas, until a supplies.

The corporation earned \$50m representation of the lakenderum mill, which was originally designed and financed by week ago when he was elected to a much faster pace than that of the corporation carned \$50m representation of the lakenderum mill, which was originally designed and financed by the Russians, is moving ahead at a much faster pace than that of the corporation carned \$50m. The target date may be at around the burn of the century, but both the Iron and Steel Corporation at Karabuk (which operates Karabuk, Iskenderun

with their own master programmes for complete moderni-sation.

Mr. Aktay says that member-ship of the EC is their ultimate iran, Malta, India and Saudi Ara-

When mills at Karabuk and ing its output, pull down operating costs and most vital of all, cost of \$350m, the entire output But, it take substantial steps in the area lines will achieve their maximum at maraque and whereas ing costs of \$350m, the entire output But, it control of anality control. of quality control.

The corporations's two main Steel-makers such as Metas and sources of raw material are Izdas, two giants of the Turkish Divrigi and Hekimhan, both in private sector, argue that the the mid-east. The quality of the Turkish public sector has a long

Turkish private steel-makers adopted to high-tech systems long before the public sector, mainly because they could overcome bureaucratic obstacles in the shortest possible time, whereas TDCI has to fight with

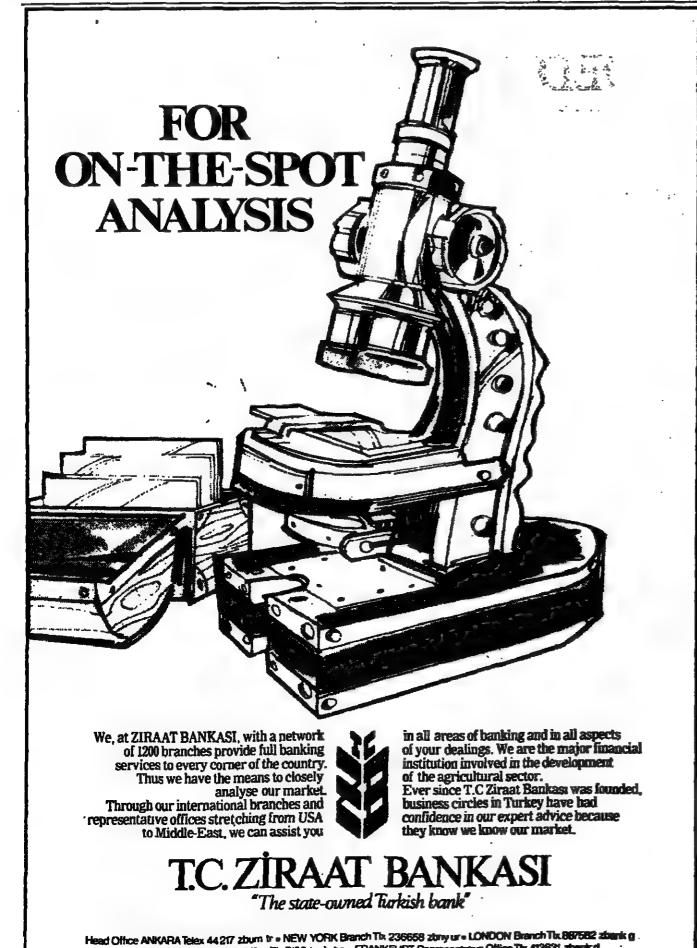
But, in the words, of Mr. Aktay, "the state sector is not lagging much behind". He notes that several billion liras are to be spent next year for research and development programmes and the entire system at Karabuk

ment Bank has provided a \$11m loan for the modernisation of the Iskenderun mill's bar rolling

But the overall expansion project is still being backed by the Soviet Union - in fact, Tpazhpromexport of Russia is about to complete its feasibility study for the expansion of the mill's capacity from 1.8m tons a year to 2.7m t/y.

The Eregli steel mill (Erdemir), which is a unique combination of public and private sector ownership, is also going shead with its own plans for moderni-sation and expansion. Erdemir, the second largest in Turkey in terms of moiten metal capacity (after Iskenderun mill) is nego-tiating with the World Bank for a \$80m loan for its third-stage expansion project. However, this loan will cover only a minimal

Orkum Akpinar



MANAMA Representative Office Tix 7186 tczb br. = FRANKFURT Representative Office Tix.443631 zbenkd



Adjusting to pressures

Says Mr Halff Bermen, head of Manaucat Santral, one of the country's leading exporters of quality bed linen.

Since 1980 they have learned

many lessons and they are adjusting to the open market places of the world.

places of the world.

His comments are well-tailored to the Turkish textile industry, whose traditions date back to the Ottoman empire,

Private sector investment in the 1960s and 1970s and Govern-ment incentives in the early 1860s have transformed it into the country's most competitive industry, leading the export league for the past six years. Foreign earnings from textiles this year are expected easily to top \$2bn, representing a hefty 28 per cent of total exports.

per cent of total exports.

Holding its own has not been painless for the industry, caught between the free-market, export-oriented policies of the Ozal Government, on one side and growing restrictions on world textile trade on the other Export growth tends to be played down by officials, who are wary of the quotas slapped on Turkish textiles first by the European Community in 1977 and then by the US in 1984.

The EC remains by far Tur-key's biggest market, taking about four-fifths of its exports, from cotton yarn to woven trousers, towelling to stockings, and table cloths to track suits.

Sales to the US were negligible until a few years ago, but Turkey now rivals Egypt and Panama as one of the fastest growing suppliers. Exports excluding raw cotton were up 49 per cent in the first nine months of this year from \$125m to \$188m, according to Treasury and Foreign Trade

The Turks are fighting hard to win two per cent of the US market, but versions differ of their success: they say their share for the nine months was just over 1 per cent, while American sources put it closer to 1.6 per cent.
Turkish officials view the quo-

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Orkun Akale

tas as the main obstacle to further rapid expansion. Some producers, however, feel the restrictions have sparked a healthy crestivity and competition in the industry.

The Turks have undoubtedly been skilled at coping developing new products and setting minimum selling prices to wring the greatest value out of the quo-

They also have home-grown advantages - a crop of more than 500,000 tonnes of quality cotton each year, proximity to EC mar-



Turkish cloth is often of high quality: above, a modern weaving

kets (unlike their Far East competitors), and a still cheap work-

in years gone by because of the Guif war and falling oil prices.

The Eastern bloc looks more promising, and textiles have manufacturers switch from simple yarn and cloth to finished been included in trade agreements with another neighbour, the Soviet Union, for the first nearly 50 per cent of export. the Soviet Union, for the first

time this year.

Bulk-buying by the Russians is appreciated. One long-established Aegean manufacturer, Izmir Cotton Cloth and Printed

Fabrica achieved the feat of selling 20,000 sets of bedlinen to a force: Labour costs to the manufacturer are around \$1.20 an hour, half of which goes on laxes and social charges.

The quotas have nevertheless from Ghana and Ethiopia to Taiwan and the Philippines, from Ghana and the Philippines, from Ghana and the Philippines, from Ghana and the Philippines, from Ghana and Australia to nearby Cyprus.

Quotas and government pressure have wrought many

nearly 50 per cent of export earnings, and the brightest prospects appear to lie in this high-value subsector, dependent on the small, labour-intensive production units which Turkey has

encouragement through duty-free imports of sawing machines and other equipment. But the producers themselves accept that quality could often be improved and some say that the shortage of fashion and design flair is a

Despite the growth in "cut and sew," the biggest volume of out-put is still in basic spinning and weaving, where much of the machinery is seriously out-of-date. More than 90 per cent of spinning mills and 95 per cent of weaving plants are over 10 years old against comparable figures of 40 per cent and 50 per cent for West Germany, says one manufacturer.

manufacturer.
The survivors in this increas ingly capital-intensive subsector will be companies with the financial muscle to invest reguinfancial muscle to invest regu-larly. Soktas, a high-quality pro-ducer established in the 1970s, has just spent \$25m over three years on an ultra-modern weav-Izmir, where all routine jobs are mr. where all rounte or robot.

Mr Ahmet Ulgenerk, a textile expert with Istanbul-based International Business Services, thinks the sector generally is too dependent on costly imported machinery and that the Government should start developing

Turkish prototypes.

He also believes incentives should focus more on weaving plants in order to absorb the already large output of yarn, especially as cotton production is likely to double once the South East Anatolia irrigation project comes into operation in the

Another concern is manageria Another concern is managerial quality. Rash investment decisions have been made in the past, leading to a government rescue of several big companies in the early 1980s, and a further shake-out is likely as smaller, inefficient producers feel the pressure of competition.

In the medium-term, however.

In the medium-term, however, the textile sector is likely to keep a firm hold on its position at the top of Turkish industry - 'this is the growth area still,' says Mr Bezman. 'I don't think Turkey will stop before reaching \$10bm in textile exports.'

Improved prospects of EC entry, though by no means assured, would give the sector a further boost. But some believe that in the long-term the country must further diversify its exports. Even the adaptable Turks may not be able to fight the textile sector is likely to keep

Turks may not be able to fight

MOST OF THE household names in European clothing have been visiting Istanbul this year. In British terms, almost every group from British Homes Stores to Next or Chelsea Girl has

plier is a major hurdle for new
In part the problem reflects be obtained with the put out sysentrants. True, one can deal with the youth of the industry, and in tem.

a major export trading house part its structure. There are a The main day-to-day problems

POLITICS and business make a formidable mixture in one of Turkey's oldest and proudest

Around 450,000 farmers are

licensed to grow the crop and as many as 2m voters depend on it

The growers have long been considered an important political constituency for any Government and in the past official

tobacco prices have been set

The Ozal administration, which has gradually been reforming the industry, fixed a dilerum as last month's election

loomed. If it allowed the state

loomed. If it allowed the state tobacco monopoly, Tekel, to announce too generous a price for the crop, it would be accused of fuelling high inflation by woing the farmers. If the price were more modest, the opposition would leap to the defence of the growers. The Government decided to delay the announcement.

Now the elections are over, far more than the farmers' annual income is at stake. Waiting in

industries - tobacco.

for their income.

ment.

The developing ready-wear sector

proup from British Homes Stores to Next or Chelsea Girl has begun to consider or start sourcing in Turkey. Once restricted to simple knitted goods such as Tahirta, the industry is now supplying almost all casual and sports items, and it is just moving into tailored goods. The logic for the European trader is inescapable. Make-up costs are cheap and access easy. It is only a short plane hop to istambul for setting up a deal, and a simple lorry haul back for delivery. In between, it may be necessary to fly in an expert to assist the Turkish partner overcome the usual main limitation of quality control. But all that is sample, and further, Turkey has good cloth. Design is the latest addition to the country's range, with factories like Orta Aradol producing excellent material, and now involved, with Altinyildiz, in production planes with Levi Strauss. The problems lie in implementing this approach. No industry in Turkey is more confusing Identifying a reliable supplier is a major hurdle for new entrants. True, one can deal with More export

advocate of the quality that can be obtained with the put out sys-

of most Turkish manufacturers are on the one hand the difficulties of controlling these ateliers and on the other the export quota distribution system which requires exporters to risk - and sometimes lose - large guarantees to the Turkish government. Improving operational efficiency and quality thus often takes second place.

The large production units are all over-manned by European standards. This has led to opportunities for foreign companies to take over alling units, as the Nigerian originated Italian company Nasco recently did with the Okumus Group.

Okumus Group.

A few companies have also begun to bring in foreign consultants to do the same in assisting the ready-wear industry to match international standards, as has already happened with many spinning and weaving plants. The result is that Turkey is slowly beginning to reap the benefits and increased val-ue-added goods resulting from developing a fully integrated textile industry. David Tonge

The writer is director of International Business Services, an Istanbul-based company assisting foreign investors enter Tur-key. IBS represents the textile

The tobacco industry

Controversy intensifies

The crop has been grown offi-cially in Turkey since the 17th century and as recently as 1909 was the country's major foreign exchange earner, industrial all happy with the arrange-exports have now far outpaced it, but foreign sales of leaf put it: "In practica, the monopoly tobacco still bring in around still exists and nothing has changed." Takel insists on a changed "Takel insists on a change of the country's major foreign and the country's major foreign and the country's major foreign all happy with the arrange-mental happy with t \$300m a year. Turkish tastes have meanwhile

switched from home-produced influence cigarette prices; it oriental to blended Western wants foreign companies to brands. Faced with large-scale smuggling of foreign cigarettes factories, sometimes far from the into the country, the Governbest growing regions; and it ment lifted import restrictions in 1985. Turkey now spends

the wings are the powerful for-eign tobacco companies, eager for the new administration to lift remaining restrictions on their

dominate in Western blanded the Government has opened the cigarettes. up joint ventures, growing Virginia and Burley and manufac-turing digarettes.

> still exists and nothing has changed. Tekel insists on a stake in any venture in order to plans to keep its monopoly on

roughly as much on imported cigarettes as it earns from tobacco exports.

So the next step was to cut tro-Turk, a subsidiary of the Austro-Turk, a subsidiary of the entry into the lacrative Tunkish down on imports by making cigmarket. 1021 of 1
Tunkey is the receirc's leading producer of crientative tobacco, whose aromatic flavour adds the salt and pepper to the Virtue salt and pepper to the virtue of the salt and pepper to the virtue of the salt and Burley types that premonopoly theoretically lifted, of cigarette might get lost or for-

gotten in some Tekel warehouse and never sold." In the hope these conditions

will be removed, Austro-Turk Tutun and other companies have been producing experimental crops of Virginia and Burley. However, Mr Kirsch says frankly, these types don't grow very well here. They can never compete with the international standard." A certain amount could be substituted for foreigngrown leaf, "but to make a good

cigarette, you still have to import a lot. The prospect of foreign tobacco groups entering the mar-ket has stirred considerable con-troversy. Critics charged the Government with selling out to foreigners. Some farmers feared for their jobs because Viginia and Burley crops are highly mechanised compared with the laborious individual cultivation of oriental leaves.

The tobacco companies con-sider such worries unfounded. Mr Istemi Gurel, chairman of Sunel, the Turkish supplier for the multinational BAT, says ther multinational BAT, says there will always be a place for oriental tobacco as long as blended cigarettes continue. Besides, the best quality encouraged in recent years by the Ozal Government grows on hills, so there should be no competition for long from Visuality. petition for land from Virginia and Burley types which grow on

Alison Maitland



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Dairy industry case study: the Pinar Sut operation

High output despite problems

AT DAWN each day in Turkey's years.

lush Aegean region, 18,000 farmers scattered across hundreds of ager of Pinar, puts it bluntly: miles hand over their milk at "Other factories are either bankvarious collecting points for rupt or operating at very low

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the country's largest dairy opera-tion, just outside the port and ists: prohibitive interest rates industrial city of Izmir. The and inflation of about 40 per plant consumes 70,000 tonnes of cent a year, which rapidly erodes

Pinar, part of Yasar Holding, Turkey's third largest industrial group, expects after-tax profits to more than triple this year to \$900,000 from its sales in Istan-

Yet a fifth of the plant's capac-ity is lying idle for lack of suffi-cient milk supplies and a good part of the profits increase sim-ply reflects sharply rising prices. That a modern, large-scale operafinit a movern, large-scale opera-tion should face obstacles to growth illustrates the serious, problems encountered by smaller dairy producers in the last few

capacity."
Some of the difficulties are familiar to all Turkish industrialcent a year, which rapidly erodes

can churn out 20 tonnes of yoghurt a day, eight tonnes of butter and six tonnes of cheese, as well as 120 tonnes of long-life riers on heavily subsidised European Community mest and milk of Arsa

The Government acted to remedy the situation in April by announcing a package of measures to help dairy farmers, including a guaranteed price of demand more protein in their diet.

As for exports - which Pinar a subsidy on cattle feed and a concessionary interest rate of 22 per cent on credit.

Duties on EC meat and milk diet.

As for exports - which Pinar the biggest meat processing plant in the country, although the of turnover this year - Mr Arsan would like to see Government would like to see Government.

ern Europe over the next few years to swell the country's live-

Pinar Sut, Turkey's largest dairy plant, processes 70,000 tonnes of milk a year.

Mr Arsan believes it will take As a result, says Mr Arsan, three years for the measures to milk prices fell so low that many farmers decided to slaughter ably optimistic provided the their dairy cattle. Hence the current shortest will take the guaranteed price of milk keeps their dairy cattle. Hence the cur-rent shortage of milk, as well as pace with inflation. "We can local mest." build our future on this," he

Government pledged that key to compete with the EC in 100,000 high-yield cows would be imported from the US and West-sells to the Arab world only those products such as labneh (a variant on yoghurt) that are unfamiliar in EC countries.

The company uses some of its spare capacity to produce 10 tonnes of soft drinks a day and to make and package a range of foods from tomato ketchup and

mustard to lam and honey. It sets great store by quality control - long life milk is likely to have undergone 25 different analyses by the time it reaches

The plant also houses research centre where staff a research centre where staff are developing ice cream and fruit cocktail mixes and a range of special sauces for McDonald's in istanbul and other local fast food

The Pinar meat factory com-prises everything from a feed lot and abattoir to plants for debening, sausage making and process. ing by products. About 220 lambs and 45 steers are slaughtered each hour to produce 20,000 tonnes of meat a year, or about 2 per cent of the country's

total output. The operation faces similar restrictions to the dairy; how-ever. High borrowing costs and a shortage of livestock left it with a \$1.2m pre-tax loss last year, while capacity use is only 70 per

interestingly, the Yasar board took a calculated decision not to use cheap imported meet on the grounds that this would kill local production in the long-term.

Instead, says Dr. Riza Kibar, general manager, the plant has doubled output of luncheon inest to 40 tonnes a day and should

to 40 tonnes a day and should break even this year, thanks to the higher margins on manufac-tured meat - "value added products are our only chance to fight inflation and a shortage of raw

Fresh sense of confidence over energy production plans

Big contract marks new phase

this year towards securing a healthy supply of energy into the next century and at the same time attracting foreign invest-

The fruits of this success should be seen in about three and a half years' time when the first coal-fired power station to be constructed under the novel. Build, Operate and Transfer scheme will be due for comple

Queensland, which will raise the money for and build the 1,400 MW station on the Mediterra-nean coast: It will also operate

That will be close to the eco-nomic life of the plant, an excep-tion from the usual BOT model-used in a variety of new infra-structure projects - which allows for ownership to pass to the Turkish state after about 15

contract will be a significant vic-tory for the Ozal Government's pursuit of private sector energy severaments severaments of private sector energy severaments. The project has rectified by banks and donastring in the West.

In a world where opportunities seem to be shrinking. Turkey is a ray of sunshine for investors, said an Australian energy. "It is easy as an appropriate "It is easy as an appropriate "It is easy as an appropriate."

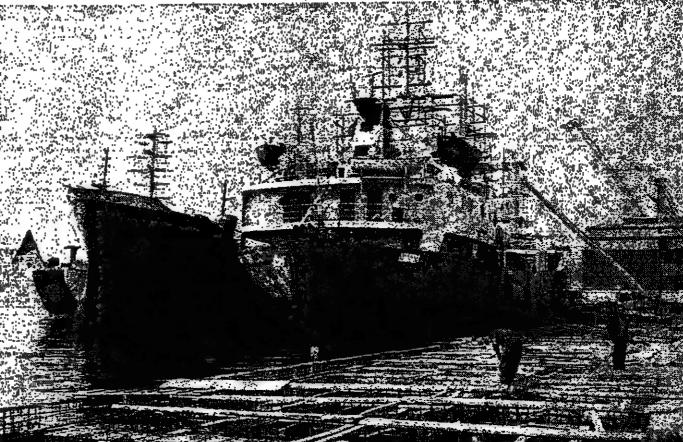
source. "It is seen as an economi cally promising country which is going to make major progress in

it is a measure of the high stakes involved that one consor-tium alone spent around \$30m on pre-contract survey and omnent work.

are expected next year for two more coal-fired plants, one near istanbul, to be built by a consor-tium headed by Bechtel of the US, and the other on the Aegean coast involving a Japanese grouping led by the Electrical Power Development Corporation.

Power Development Corporation.
Together these plants could be
producing 21bn kilowatt hours
(Kwh) by 1993 - one fifth of the ountry's projected electricity "If it works," said a Western diplomat, "It really will be the way out of Turkey's energy dilemma."

No wonder, then, that there is a new sense of confidence in Ankara after the gloom generated by the high cost of oil



Energy for industry: above, the Camiaiti shipyard of the TurkishShipbe a. In Turkey's race to catch up with the industrialise

imports in the first half of the decade. Not only have oil prices fallen, but Turkey has also developed new sources of power, while its growing exports have brought in much-needed foreign

Four other international groups were beaten, but there are consolation prizes. Contracts problem in importing energy, problem in importing energy, says Mr Vedat Sahin, an energy

expert at the State Planning Organisation. indeed, energy imports -mainly oil from Iran and Iraq and gas from the Soviet Union -are expected to remain between 42 per cent and 50 per cent of annual consumption until the

year 2000. Primary energy production is estimated at 27.2m tonnes of petroleum equivalent this year and 28.1m in 1988 compared with consumption of 46.8m this year and 50m next.

Turkey's aim is to keep domestic energy production abresst of rapid industrial growth and to use the cheapest sources of energy available. Conservation is also being encouraged to cut also being encouraged to cut down on huge losses in transmission, and recent World Bank lending has been specifically aimed at energy saving.

With only limited domestic supplies of oil and gas, and home-produced lignite both inef-

ficient and a serious pollutant.

ricient and a serious pollutant, electricity has become the top priority for development.

Demand for electricity is expected to grow by 12 per cent a year for the next five to 10 years, but production should mushroom too, with a 12 per cent jump next year to 50bn Kwh.

In 1990, supply at 70bn Kwh should have overtaken demand by at least 5bn Kwh. The year 2000 should see supply at 174bn Kwh and demand at no more

than 170bn Kwh.
The surplus will be stored, says Mr Sahin, "and maybe in the future we can export to Iran,

Iraq or Egypt."

Much of the pace will be set by hydro-electric power, which already accounts for 40 per cent of Turkey's electricity output. Its potential is estimated at 110hm Kwh compared with the 18bn Kwh produced now. In other words, Turkey is using only 16 per cent of its abundant source of clean, cheap energy. It hopes to push that figure up to 60 per cent by the turn of the control.

There are 376 untouched sites for potential hydro-electric power schemes and the Government is processing more than 50 mainly small-scale applications with a view to using the private sector BOT model here as well. In parallel, Turkey is negotiating a 10-year agreement increasing its annual imports of Soviet electricity from 600m Kwh to 1.6bn Kwh.

 1.6bn Kwh. In September it awarded a major contract for a 1,200 MW power plant fired by Soviet natural gas and home-refined fuel oil to a consortium led by Kraftwerk Union of West Germany. The plant, at Ambarli on the Sea of Marmara, should start operating at the end of next year.

Turkey is notorious, however, for delays over contracts, and bottlenecks are still being reported in obtaining the necessary agreement from the energy

Meanwhile, Soviet gas is due to

Meanwhile, Soviet gas is due to arrive in Turkey shortly via Bulgaria and supplies should reach obn cubic metres by 1991, providing a central heating system for Ankara and additional energy for industry.

If reliance on the Soviet Union and Iran for key imports of gas and oil might seem questionable, officials eagerly point to attempts to diversify.

In three years' time. Turkey

attempts to diversify.

In three years' time, Turkey should be importing and storing liquefied natural gas from Algeria, and talks are also in progress with Qatar for gas supplies. But in case of an emergency, they point out that the country still has its own small reserves of oil, a production capacity of 600m cubic metres of gas a year, and staple lignite and wood.

Allon Matthews

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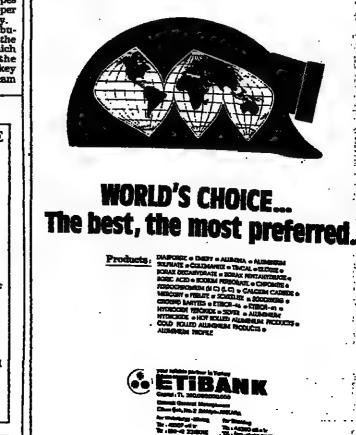
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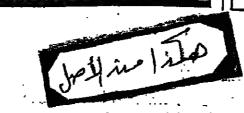
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Nation is 'a horn of plenty'

FROM the bazelout groves of the Black Sea to the vast wheat fields of Anatolia and the citrus plantations of the Mediterranean, Turkey's range of climates and soils have created a horn of

plenty.
Situated at the crossroads of Europe and Asia, it is one of the few countries to be self-suffi-cient in basic foods. Its exports generally have good access to the European Community, the Arab world and the Eastern bloc and

officials boast it has the poten-tial to feed a population twice the size of its own 53m.

The official rhetoric has not always matched performance, however, and Turkey still has nowever, and Turkey still has some way to go to realise that potential at home and abroad.

Agriculture is arguably the country's greatest asset, but for years it was neglected in the rapid drive towards industrialisation. Whereas agricultural goods accounted for 80 per cent of erroris 15 years as a today they exports 15 years ago, today they make up 25 per cent. The share

iand and 60 per cent of the workforce is employed in the agricultural sector.

The Ozal Government has sought to revitalise the sector through export promotion, competition from imports, and heavy investment in irrigation. Direct and indirect subsides, running at about \$1.05bn a year, are aimed at raising productivity. aimed at raising productivity.

Mr Ahmet Cetinbudaklar,
chairman and general manager

of Taris, the country's largest farming co-operative, is an enthusiastic selesman both for Turkish produce and for the Ozal Government's contribution to agricultural development.

The administration, he says, has lifted price controls, ended has lifted price controls, ended the monopoly on fertilizer sales and increased corn yields by importing high quality seed, all to the benefit of Taris' 93,000 farmers

of Taris, the country's largest

Technology and marketing skills are now needed from abroad so that Tirkey can pro-

duce and export high-value pro-

Foods are as yet absent, notes Mr. Ian Walker of London-based international business consul-

going after investments."

Big foreign names already present in Turkey include Universent in Turkey include Universent in Turkey include Universent in Turkey include Universent in Turkey include Universent in Turkey include Universent in Turkey included in the second

development.

Mr Walker points to the crip-pling cost of short-term credit in Turkey, running at about 70 per tants Walker Marketing. Turkey, running at about 70 per
*Present opportunities for cent, excessive bureaucracy,

Turkey is one of the few countries that is self-sufficient in basic food.

greater," he says in a recent report on the industry.

Among the attractions are relatively low labour costs, excellent trading relations with neighbouring countries and steadily increasing domestic demand for convenience foods. Early next decade, the vast South East Anatolia Project will irrigate 170,000 of agriculture in gross national cassed foods.

cassed foods.

cassed foods.

We have to attract the big increases in output of potatoes, and falling Yet more than half the population still lives on the says Mr Cetinbudaklar. "I'm pistachio nuts.

(especially foreign) suppliers and shortcomings in the storage, investors in the Turkish food packaging and distribution of industry have clearly never been food, and the absence of any greater," he says in a recent immediate prospects of European Community membership.

Another problem is that Turkey is producing foods such as sugar that are not cost-competitive, when it could be concentive.

If the Turks relish self-sufficiency in basic foods, they have not necessarily achieved it in dietary terms. As per capita income and education improve, demand is likely to rise for high-protein foods such as meat and protein foods such as meal and dairy products, a fair proportion of which is imported. Processed and convenience foods will also attract more interest.

Hand-in-hand with higher liv-ing standards goes urbanisation, an issue which the Government has to address as it ponders the future of food production.

sugar that are not cost-competitive, when it could be concentrating more on vegetables, nuts, fruit and pulses where it has a comparative economic advantage.

Self-sufficiency, however, is sugar that are not content in the agriculture ministry - a rather shabby, neglected building the comparative economic advantage. The growth of the content is sugar to the sufficient to discourt the sufficient to discourt the sufficient to the sufficient t fundamental to policy-making in roads to the villages to discour-Ankara, and the Turks are proud age an exodus, say officials. And of their sugar production, which if mechanisation puts people out dates back to the 1930s - "cost of work on the farms, construc-

competitiveness is not an issue tion and industry will absorb in the agriculture ministry," them.

Others outside the administration are more anxious - "no one produce it, but they don't want is thinking about the nature of to spend money importing the transition," says an agriculturist. They should be taking appropriate measures to assure the competitive measures to assure the competitive measures. appropriate measures to ensure it happens in as painless a way as possible."

as possible."
One organisation that offers practical help to rural communities is the Development Foundation of Turkey, a private body that encourages small farmers to take shareholdings in co-operative. tives. Its most successful project so far started with five farmers in the early 1970s and has now swelled to 1,500, producing one in six of the country's broiler

fowls.
The Foundation provides farmers with training and helps them overcome financial difficulties by supervising bank loans. As agriculture fights for a place alongside modern industry, some of the rural poor on the smallest farms are being given a chance to share in Turkey's vast

Alleon Maittend

Unions and labour

Militancy far from extinguished

THE NUMBER of working days 200,000 me lost through industrial disputes in Turkey this year around 2m remain in will be the highest aince the 1980 sectors of military takeover. Whatever other interpretations

can be placed on this fact, it demonstrates that trade union-Ism and industrial militancy in Turkey are far from extin-guished. Yet the trade unions remain in a severely weakened state compared with their pre-

1980 position.
Strikes are now forbidden by law in many parts of the econ-omy, including banking and much of the public sector. Politicell and solidarity strikes are also outlawed. So, controversially, are other forms of political activity by trade unions. Trade union representatives were swept from the boards of state todies in the changing political climate of the early 1980s.

Neither is trade union membership particularly large in rela-tion to a total national workforce of around 16m; Turk-is, the big-

The unions do, however, remain influential in industrial sectors of the economy and dis-putes are sometimes fought with a vigour and determination which would surprise trade unionists elsewhere. A group of 3,000 employees of an Ankara-based grocery chain, for instance, have been on strike

The issues are not money, but The issues are not money, but disciplinary procedures and working hours. For the ordinary Turkish worker, trade union member or not, there has been snother, much more pertinent, change during the 1980s: a massive decline in earnings.

Mr Sevket Ylimaz, president of Turk is, calculates that there has been a 50 per cent decline in real incomes since 1984. Public sector unions estimate the drop to have been 60 per cent since 1979.

been 60 per cent since 1979.

This has helped provide Turkey, with very low comparative about the extent to which the political opinions and take attimute, with very low comparative about the extent to which the political opinions and take attimute, resented legal controls trides towards political parties, as have succeeded in constraining had been shown in last month's economic growth. But it has also the unions in the area of main-general election campaign.

Therefore the prohibition extraction to resent the prohibition of the prohibition of the constraint to the prohibition of the prohibition

progress made towards greater in the opinion of one foreign rights for trade unions during banker in Turkey. The law has the life of the last parliament. The indications are that Mr Turgut Ozal, now returned to power for a further term as Prime Min-

changed the position of the unions in Turkish society during the 1980s but in the industrial ister, will continue to exercise they have their main strength,

Strikes are now forbidden by law in many sectors of the economy, but disputes are sometimes fought with vigour.

Indeed, there is speculation

sest trade union confederation, contributed to resentment stream industrial activity. The compasses 32 unions with a Union leaders remain uncomprostrike figures point to a strong does not seem to us as important total membership of 1,850,000.

Hak-is, the lelamic union confederation in political activity, and the procedures for contributed in political activity, and the procedures for contributed to resentment, stream industrial activity. The contributed to resentment stream industrial activity. The contributed to a stream industrial activity.

caution in the area of labour they still have considerable

Mr Kubilav Atasayar, secretary that the Government might be general of the Turkish Confeder prepared to further antagonise ation of Employer Associations, leaders by moving from collecture that the prohibition on tive bargaining to a system of political activities by unions is individual service contracts for sometimes given an axaggerated Unions, he said, could declare

of maturity comparable with Western societies, but there were areas where further progress needed to be made.

Both sides of industry whould get more accustomed to soolving ger more accustomed to sootving our problems by mutual discus-sion rather than depending on the assistance of the Govern-ment. This habit of referring to laws prevents the two sides from resolving their disputes by nego-tiation.

The confederation, which represents 70 employers associations in both public and private sectors, looks for the support of Turk-is to strengthen bargaining procedures. But it is concerned about the ability of the Turk is executive, which was elected by narrow margins and consists mainly of representatives of the smaller unions, to speak for and control all its member unions.

But, summed up Mr Atssayer, in comparison with some of the "tragic experiences" in Turkish industrial elations prior to 1980, he took a fairly optimistic view of the present position and the future. It is impossible to be entirely optimistic about unem-

ployment in Turkey just as it is impossible to be precise about the scale of the problem. In a country which retains a large agricultural sector, and where a good many town dwellers may have two or three part-time jobs — on one side of the border between the formal and informal economy or the other - exact

counting is difficult. The current official estimate of unemployment is 15 per cent, while other labour market specislists suggest 18-20 per cent. Turkish workers have a reputa-tion for reliability and a willingness to acquire new skills Manag-ers from multinational companies sometimes detect a somewhat Japanese style of group loyalty and cohesivene

group loyalty and cohesiveness.
Turkey is not alone in experiencing skill shortages, particularly in the computer and electronics areas. Mr Mehmet Karaduman, general director of the Turkish government's employment service, says training programmes have been designed to increase the supply of skilled workers in these and other areas.

Produce and packaging: a key

issue in exports

Much scope for developments

few obstacles to a highly success-

ful food industry.

But when it comes to packaging and marketing the fruits of their fields, the Turks often fall short of the standards set by the sophisticated European markets which they aim to reach.

An abundance of fresh pro-

duce has traditionally meant less demand among Turks them-selves for carefully packaged foods. There are few freezers in Turkey, most milk is still sold unpackaged by street vendors, and supermarkets are rare in a country where corner stores still

Packaging quality is a key issue in export, as Mrs Zeynep Tameroglu of International Business Services explains. In a recent study of packaging, she found for example that Iraq, Turkey's main market for eggs, had almost reached saturation and that the moulded fibre egg boxes, made of recycled waste paper, were simply "not attrac-tive enough" to European cus-

She also pinpointed poor distri-bution of paper and plastic by the state-owned raw material

Despite the difficulty in edu-cating public tastes and chang-ing the habits of a lifetime, Mrs

Tameroglu believes packaging can latch on to the dynamism of the country's food industry.

Attempting to exploit some of that undoubted potential is the Swedish company, Tetra Pak. It plans to open a packaging plant Swedish company, Tetra Pak. It plans to open a packaging plant outside the Aegean port of izmir in the new year in a joint venture with Nasas, a Turkish aluminium converting company.

The factory, in which the Swedes have a 70 per cent stake, should turn out 400m Tetra Brik Aseptic packs a year for sterilised milk and pesteurised fruit fuices. The cartons are made

juices. The cartons are made from layers of imported polyethylene foil, aluminium foil and paper and are designed to preserve milk and juice in perfect condition for months on end, even in the searing heat of a Turkish summer.

THE YOUNG salesman did not mince his words: "We have everything we need in Turkey," Tetra Pak's existing custome the said. "We just don't know how to use it."

Travelling around the Aegean region, with its green farmland and warm climate, the initial impression is that there can be water and vegetable oil.

The idea is first to au Tetra Pak's existing custome the spot instead of imports in the past. The aim will the to expand the number of tomers and the range of propactions is that there can be water and vegetable oil. Turkey with packaging made on the spot instead of imported as in the past. The aim will then be to expand the number of cus-tomers and the range of products packaged - to include wine, water and vegetable oil.

in the packaging of dried foods,

Food packaging standards often fall below the sophisticated leveis of Western Europe.

but Tetra Pak is the first on the scene to box liquids in this way, says Mr Carl-Viggo Ostlund, managing director of the Turkish

cessfully to export fruit juice in bottles or poor quality packets, but they do sell fruit juice concentrate to the US and Germany

in bulk steel barrels, he says.

The advent of individual longlife cartons should be a great advantage in a country as vast as Turkey, with its high summer

Turkey, with its high summer temperatures, poor distribution system and lack of refrigeration.

There are other benefits, too, for the client food companies, who are rapidly learning how to woo customers through design. Some have put recipe competitions on their packs, while others convey messages about hygiene for children.

The joint venture has invested.

The joint venture has invested \$3.5m in the plant, benefiting from government incentives such as the duty-free import of machinery and reduced corpo-

rate taxes. it is Tetra Pak's 26th factory around the world, and Mr Ostlund believes Turkey is ripe for development. Within the next five to 10 years he expects that supermarkets will make their appearance and that the production, distribution and retailing of food will be trans-

There will be a dramatic change," he says. "Then we will have a very good chance of being part of it, because our system is really based on a good. distribution system.

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Istanbul. These newly-res

wooden houses by the walls of the Topkapi Palace serve as pensions for tourists

Turkey's tourism.

Industry has

taken off in the

last four years.

It's important for us to know when we reach the optimum

capacity."
He says Turkey is trying to

attract architects and project managers from abroad to instil

the right skills and attitudes into

tional Property, who recently returned to the area to look at

"I would be very worried if I was the Turkish Government

because they're not really con-trolling their planning. Beautiful

pieces of land are being razed

Sticky problem of defiled beaches

THE TOURIST season was coming to an end in Turkey this year when a group of local fishermen and artists set out with gloves, face masks and plastic bags into the beautiful bay of Gokova near

In a single day of trawling the sea they filled 200 rubbish bags with sewage, empty bottles, babies nappies and other waste. To round off their clean-up protest, they presented the gruesome catch to the nunicipality

The tourist brochures com-monly describe Turkey as one of the last "unspoilt" destinations in the Mediterranean. But tourism is mushrooming, and the Turks are discovering the unwelcome side-effects.

for burning.

Waste on the bearnes gener ally comes from boats Cruising in a yacht or traditional wooden gulet is one of the most popular ways to holiday along the Turk-ish coast. But some of these boats do not have inbuilt tanks to carry waste, and there are complaints that the authorities do far too little to stup and fine

The environment is a sticky subject for the Turkish Government, which wants to avoid the mistakes of other Mediterranean countries yet desperately needs the revenue from tourism to help service its heavy debt burden.

The industry has taken off in the last four years, thanks to generous government incentives and a search for new destinations by an increasingly adven-

visited Turkey this year com-pared to 1.6m in 1985, and foreign currency revenues are expected to top 2 per cent of gross national product against 0.8 per cent in 1983.

About 500,000 West Germans led this summer's influx, 25 per cent more than in 1986 and an interesting counterpoint to the heavy flow of gastarbeiter in the opposite direction. The Yugoslavs took second place and the Greeks third - historical ties are thicker than bad blood over

it was also the year when Brit-ish tourists "discovered" Turkey in their thousands. Surmed, the eding UK tour operator in Turkey, saw its package holiday bookings jump from 9,000 in 1986 to 45,000 this summer.

The attractions are undeniable. Despite the signs of pollution, Turkey still has relatively clean



wonders, a belmy coastal cli-mate, a rich cuisine and hospita-

ble people.

To keep pace with the soaring demand for such amenities, the Government has been liberal with incentives for building: there are tax holidays and grants sess and well-preserved expanses of up to 20 per cent of the cost of of beach, and it boasts a wealth fixed asset investment in prior-

As a result, the number of beds has more than doubled from 55,000 in 1983 to around 120,000 now and is expected to reach 220,000 by 1990. The state-owned Tourism Bank this year provided loans for more than 230 projects to create 23,000 extra beds com-pared to 12,200 beds last year,

of natural and archaeological ity development zones along the says Mr Serhan Altinordu, its urman and president.

The numbers are still modest Rhodes alone has 60,000 beds - and the Government is taking care to restrict building to desig nated zones and limit height to four storeys from road level.

"You can't develop tourism only by building more and more beds," Mr Altinordu recognises.

door," he says.

I think Turkey has got the most amazing potential. But it's a little like Spain was...I desperately hope they get their act together and don't allow this indiscriminate development to

In some areas, there appear to be no restrictions on building on the coast itself, and as yet there is a dearth of landscaping and integrated resort development comprising golf courses and other facilities.

It does not have to be like that, says Mr MacEacharn. One devel-opment of 1,500 beds in the Mediterranean region of Fethiye has been built in attractive woodland using Ottoman-style architecture that blends with the surrounding

countryside.

In the big cities, however, demand for beds has pushed conservation lower down the list of priorities. The Government is anxious to attract business and conference tourism, and Istanbul has a desperate shortage of top class accommodation. To remedy the situation, at least five multi-storey huxury hotels are under construction or planned, with the involvement of British, US, Japanese and Hong Kong groups. in Ankara, too, new hotels are soing up, with a Hilton almost completed and building work

darting on a Cheraton.

As the construction sites As the construction sites spring skywards, the young tourist industry still has some way to go to reach the highest international standards. Qualified hotel staff are in short supply, travel arrangements with state-run Turkish Airlines can be bewildering, and roads are hazardous for pedestrians and drivers alike. For all their exotic fascintation, the cities are congested, noisy

the cities are congested, noisy and polluted, which helps to explain why the Ankara-based Environmental Problems Foundation is planning an informa-tion campaign entitled "Better Tourism - Clean Environment".

new construction.

In some cases, however, such action is either inadequate or too Tourism - Clean Environment."
One other local matter was deemed worthy of mention in a recent article on tourism in the English-language Turkish Daily News. "I have high hopes," wrote the journalist, "that maybe the next generation, but certainly the one after, will realize the late. In the Bodrum region, vast villa developments have sprung up, partly as a result of Govern-ment insistence on high bed density and short land leases. The 49-year leases have encouraged Turkish co-opera-tives to build cheaply and for the short-term, says Mr Bruce MacEacharn, deputy chairman of UK-based Prudential Internanecessity of taking a shower every day, and avoiding the smell of garlic in public."

Given the enormous task of salizing Turkey's potential for tourism without destroying its beauty, that particular form of pollution must number among the least of the Government's potential sites. The result is hundreds of tiny white boxes.

Allson Meltland

Shipping

Gloom over ageing fleet

HAPPY SHIPOWNERS in Istan-bul have become a rare breed. With the Government paralysed by elections and disarray in the Istanbul Chamber of Shipping istanoui Chamber of Shipping itself which is in the grip of its own election fever, worries about the unacceptably high average age of the Turkish fleet and its renewal are not being proporty addressed.

properly addressed.

The problems are not new. er, and cannot be divorce nowever, and cannot be divorced from the world-wide context. After 1980, the tiny Turkish fleet had the good fortune of a government composed of enough senior naval officers, including Prime Minister Ulusu, inclined to give shipping a much needed

that in the arm.
Soft finance from the Central
Bank was quickly made available for the purchase of ships on which import restrictions were also eased. Age limits on pur-chases of second-hand ships were raised, resulting, according to some estimates in the fleet tripling in size to about 6.5 million dwt in 1984.

With foreign currency at a pre-mium it made sense to try to transfer to the Turkish flag much of the estimated \$1.7bn much of the estimated \$1.10n spent on freight with foreign vessels. Many new owners managed to break into a largely state dominated sector. However, the world crisis hit Turkish owners hard. Public and Government reaction against shippers in difficulty was unexpectedly in difficulty was unexpectedly in diffi-

culty was unexpectedly stern.
The situation was compounded by numerous scandals in the industry and the Ozal Government reversed its predecessor's policy. Soft credit dried up and he age limits on ship purchases were brought down to five years for tankers and nine years for oil/bulk carriers. The bigger companies, able to raise finance outside Turkey, were allowed to buy ships three years older than

ess fortunate competitors.

The die was cast for the current gloom. Shipowners com-plain bitterly that such a policy reversal ignored the market and, as a crisis slashed world ship prices and freight rates, a unique opportunity was lost to renew the fleet.

One prominent owner, fortu-

nate enough to be able to borrow abroad, currently owns an oil/ bulk carrier bought two years ago for \$4.5m and is now being offered twice that. Second-hand ships within government age limits are hard to come by, ownTo add insult to injury a 5 per cent ad valorem tax on imports freighted by sea was imposed making it cheaper in some cases to off-load at Piraeus and finish

the journey by road.

Despite the difficulties of smaller owners, who make up some 90 per cent of the fleet, the some 90 per cent of the fleet, the bigger owners still claim the Ulusu Government's policy proved effective in pushing the Turkish fleet from an embryonic stage to a broader-based level of development. In macro-economic terms, the industry argues that the foreign currency saved by transferring to Turkish vessels cargoes paid for in Turkish Lira, more than outweighed the capital expenditure on new ships in tal expenditure on new ships in

and and

ith

tal expenditure on new ships in the early '80s.

On a slightly less gloomy note, owners welcome the planned expansion and improvement in port facilities funded by the World Bank. However few owners express great optimism that the improvements will meet capacity requirements in the 1990s. One owner complained that his vessels still have to walt a week before gaining access to Istanbul's Haydarpasa port. istanbul's Haydarpasa port.

The fleet is now ageing fast and with a few companies buying new vessels a contraction in the industry would seem inevitable. The average age is now around 17 years, (19 years for oil/bulk carriers). Attacks in the Gulf have compounded the prob-lem, seven Turkish ships have been lost so far.

One owner estimated that the fleet had already contracted by about 1 million dwt since its peak in 1984 and that even with scrapping ages currently high, the Turkish fleet could recede to pre-1980 levels within three to four years.

Owners will be pressing the new Ozal Government to ease age restrictions and scrap the 5 per cent ad valorem tax on imported cargoes. With freight rates high and expected to remain so, some owners argue that a soft credit package should be put together to help restruc-ture the fleet, especially in the 80,000 DWT plus category.

Realistically few expect the Government to pay up and are resigned to having to resort to borrowing abroad, an avenue

Tom Wilson

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SECTION IV FINANCIAI. TIMES



These are times of extra-ordinary economic boom in the Channel Islands. thanks almost entirely

to the explosive growth of the offshore finance industry. But it is creating difficulties for the traditional economy and, writes Barry Riley, its durability cannot be taken for granted

Wrestling with success

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ern Europe as a whole.

Now imagine a neighbouring island where real GNP growth has been running at around 8 per cent annually for the past two or three years, but where many local politicians are calling stridently for restrictive legislation to bring this headlong progress to an early and.

ress to an early end.
These are times of extraordinary economic boom for Jarsey and Guernsey, the two biggest Channel Islands in the group that nestles just off the Normandy coast. The evidence in mandy coast. The explanation for this prosperity lies almost entirely in the explosive expen-sion of the offshors finance industry. Banks, trust companies and unit trust management groups have found Jersey and Guernsey to be excellent bases from which to tap expatriate demand around the world.

It is only around 25 years since the potential of offshore finance

began to be seriously explored by the Channel Islands, then dependent mainly on tourism and agriculture. Now the official

IMAGINE A small European territory where the income tax yield of \$96.3m estimated a year ago for 1987 now seems likely to emerge as \$134.3m, and where the timemployment rate was 0.6 per cent last summer against an average of 10 per cent in Western Europe as a whole.

Now imagine a neighbouring island where real GNP growth has been running at around 8 per cent annually for the past two or three years, but where

the offshore finance boom. Certainly the Islands are ready to see some impact on profits in the next year as a consequence of the reduction in value of the funds being managed; but on the other hand it is also possible that Jersey and Guernsey, being highly regarded financial centres, could benefit from any flight to quality resulting from uncertainty in markets around

the world.
Originally the finance industry was a valuable diversification. Now it has become so dominant that the economies of the two islands are again becoming unbalanced, and vulnerable to the risk that offshore finance could suffer a recession.

political alienation, because although thousands of islanders enjoy good incomes and satisfy-ing jobs in the finance sector, the



The Channel Islands

almost all owned outside the islands. Moreover their top executives are nearly always immigrants from the mainland, or further afield.

*Only a couple of top financial

managers are locals," complains Roydon Falls, president of the Guernsey States Advisory and Finance Committee.

For their part, many finance sector executives suggest that their interests are not properly taken account of in the political arena. "Business people aren't represented in the States," says Barry McCance, president of the Jersey Bankers. Since last month this has changed slightly, however, Derek Maltwood, chairman of markhookers. Means Govert of stockbrokers Hoare Govett, became a Jersey States deputy in the recent elections.

"Perhaps I ought to do my bit

remains I tought to do my last to represent the finance community, he says. But he insists: "Primarily, I represent my parishioners."

The finance industry is also blamed diship or separate for

blamed, rightly or wrongly, for pushing up house prices. On the one hand, many, fewer young Channel islanders are leaving for Channel islanders are leaving for Even so the underlying reversity from other employers and the mainland than in the past, one growth is extremely strong, is sharply pushing up costs, both estimates are that finance institutions themselves are

able locally. To an encouraging rise from \$82.3m in 1985 to extent, too, one-time emigrants \$130.1m in 1988, an increase of are returning to establish families. But house prices have shot years. A rather similar trend is up to such an extent that young, visible in Guernsey where the couples now find it difficult to have their own property.

couples now find it difficult to buy their own property.

On the more positive side, eco-nomic expansion has brought considerable wealth to the Chan-nel Islanda. Although these have long prided themselves on being low tax territories, with a uni-form tax rate of 20 per cent on personal incomes and company profits, government revenues have conservative administrahave conservative administrations not fundamentally inclined

to be big spenders.

In fact Jersey's huge leap in income tax revenue this year is something of a freak development. Most of the \$38m extra revenue compared to last year's forecast reflects adjustments and a one-off collection of arrears because of the impact of compu-terisation. Next year's tax yield is estimated to fall back a little,

visible in Guernsey where the income tax yield rose 45 per cent in the three years to 1986, and where the recent strength of

finance industry profits appears to underpin further rapid growth An revenues. With the economies of the two islands approaching boiling point there is no case for a gen-eral expansion of public sector spending. So large surpluses are being set aside for the future. In

1988 Jersey is planning to stash £40m (£500 per head of the pop-ulation) away in its Strategic Reserve, set up two years ago and now containing around \$21.5m; it is defined as a rainy The flow of wealth is impres-

sive, but is not without its prob-lems. There is inevitably resent-ment by older industries at the mushroom growth of a johnny-come-lately sector like finance which is draining labour This is the political motivation

This is the political motivation for the restrictive "control of undertakings" legislation which has for some years been in force in Jersey and although not official policy in Guernsey is being called for by an important minority faction in the States. The argument is that a simple clamp on immigration, which

has been recommended to Guernsey by its consultants -Peat Marwick McLintock recently completed an economic review of the Island, and pro-posed a system of work permits would be inflationary. It would permit the finance

industry to continue to expand and therefore to bleed the rest of the economy dry, draining the best staff from both the private and public sectors. On the other hand, a control of undertakings law could, as in Jersey, at least in theory, be used to Ireeze the number of employees in individ-ual financial or other compa-

the Advisory and Finance Com-mittee, told the Guernsey States

wrong to talk glibly about restraining growth in the finance industry. "We must scrutinise our policies carefully to ensure

our policies carefully to ensure that no unnecessary strains are put on the leading sector in our economy," he said. Certainly the Channel Islands cannot afford to take their pros-perity for granted. The Isle of Man is now becoming more than just an overspill zone for Jersey and Guerresey. Its competition is and Guernsey. Its competition is, for example, forcing Guernsey to modify its policies on the taxation of offshore insurance companies. And not only companies but also people are now seeing the Isle of Man's potential as offering an escape route from Channel Island bureaucracy and

Entirely new contenders are also entering the offshore finance business within the European time zone. Madeira has just announced an initiative, and so has Dublin, which is building a complete new "offshore" financial services centre in the redeveloped Custom House Docks. Dublin could be interesting to

a let of companies," says one Guernsey financier who has

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structures under strain manigration: the dominant issue 2

nce industry: balancing ac between growth and resources Insurance: competition stiffens

Property: Migrant law inhibits top

Horticulture: humicane blow Energy: debate over future supply

Communications: enter the

found it very difficult to expand and find new premises in the

inside the European Community, as indeed is Gibraltar, which could be a significant contender if it could improve its image. Already it is an important centre for serving the lucrative retired expatriate markets along the Costa del Sol and the Algarve.

Then there is Luxembourg, a powerful competitor which is raking in large volumes of business from the Continental European markets which the Channel islands have neglected. The constitutional profition of the Channel islands have neglected. status have neglected. The con-stitutional position of the Chan-nel Islands is not well under-stood," claims a Luxembourg private banker. "It is thought they could be taken over by the mainland. So Continentals tend to so elsawhere"

to go elsewhere."

However that may be, the status of the Channel Islands as independent of the EC, at least for the purposes of financial services, is said by some to be a strategic mistake.

With the Internal EC markets

opening up in two years' times through the so-called UCITS legislation the Channel Islands could be at a disadvantage. This is a hotly debated area, but certainly many British groups are now setting up investment funds in Luxembourg

in Luxembourg.

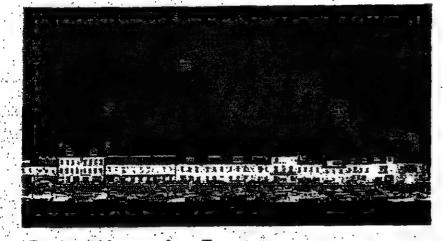
The other main challenge is from the UK, which is happy enough to see the islands prosenue. pering but might change its atti-tude if it were felt that this boom were somehow at the expense of the mainland. Certainly the Channel Islands are anxious to co-operate in policing drug money laundering or fraud-

ulent activities.

But in the process the reality of the much-trumpeted "confidentiality" offered to offshore investors is being called into question, and the islands are being forced to enact what amount almost to photocopied versions of the mainland legislation such as the Financial Services and Data Protection acts.

The economic boom in the Channel Islands continues. Yet its durability cannot be taken completely for granted

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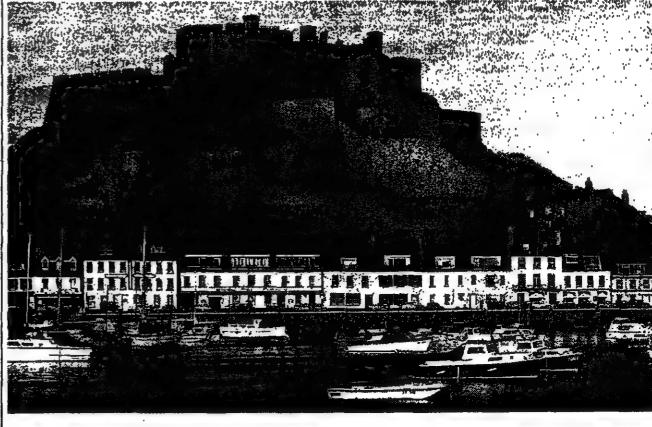
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FRANCE

Both Guernsey and Jersey have been reviewing their machinery of Government

raditional structures under strail them more broadly based. There

the phrase for it, but the Channel Islands are this winter in the process of selecting their political representatives, which they do every three years. Jersey's the States of Guernsey approved main elections were held last a number of measures to formal and Guernsey citizens is the processes of policy control.

impact on the general diruction of politics in the islands. The new legislative bodies, like

the old, will be grappling with the current problems of success. In both islands the booming finance industry has endowed the governments with huge tax serious problems of rising popu-lation and has aggravated social esses deriving from the seezing out of older industries

brought in the same firm of management consultants, Peat Marwick McLintock, to produce Marwick McLintock, to produce indistry which was to reports. A review of the policy the problem.

But there is a strong for Guernsey in August 1986, followed by an economic appraisal in July this year.

Only last week, it was Jersey's men feel would be less than the service in the control of uncontrol of the control of

Marwick's review of the machinery of government, the result of a four-month study.

The political problems of the Channel Islands partly stem from the increasing burdens such an interventionist policy, being placed on the elected representatives. Traditionally the islands have been governed through a series of quite loosely through a series of quite loosely through a series of quite loosely through a series of quite loosely through a series of quite loosely through a series of quite loosely through a series of quite loosely through a series of quite loosely through a series of quite loosely through a series of quite loosely through a series of quite loosely through a series of quite loosely through a series of quite loosely through a series of quite loosely through a series of operating a simply operated limits on the number of jobs, it has been told to report again by the control of linked committees rather than the control of linked committees are the supply. n of the committees now have virtually full-time jobs, and even the ordinary deputies are often tied up with political duties for two or three days in a week. At the same time the growth of the finance industry, with its special needs for detailed regulation, has strained the traditional

wonth and Guernsey citizens vote for their States (parliament) deputies in March next year.

In the absence of political parties or any centrally-focussed cabinet style of government, elections only have a slight impact on the general direction of the seneral direction is the processes of policy development and financial control. But there was heated debate over the means of limiting population growth, perhaps the single most controversial issue in both islands at present.

Peat Marwick, perhaps influ-enced by the wishes of the pow-erful Advisory and Finance Com-mittee which commissioned the two Guernsey reports, came down against the idea of a con-trol of undertakings law similar to that already operated by Jer-

a system of work permits. A con-trol of undertakings law would squeezing out of older industries be "too drastic a measure," such as agriculture.

Accordingly both Guernsey and Jersey have been engaged in Finance. Committee. There strategic thinking, and have would be too many loopholes, and anyway it would bit other would be too many loopholes, and anyway it would hit other industries besides the finance industry which was the focus of

ent within the States in favour of the control of undertaking solution which some business turn with the publication of Peat ary because it would limit the Marwick's review of the machin-demand for labour as well as

next May on the control of undertakings approach.

In Jersey, the Control of Undertakings law was strengthened last summer to make its impact more uniform. Until then it had impacted mainly upon companies that wanted to

expand into bigger premises.

In theory the law is tough but, in practice, the problem is that it has not actually succeeded in



ernsey's Advisory and

bringing population growth within target levels. The amount of flexibility with which the controls are exercised could reduced over time as

increase. But then the controls night begin to do more serious

Peat Marwick's Jersey review The firm was asked to report on the presupposition that the basic framework of committees would remain. There was some controversy about this, with some poliversy about this, with some post-ticians believing that the consui-tants should have been given a freer hand. But in general there is little demand in Jersey for a different, ministerial style of

government.
Within this restricted frame of reference the most important recommendation is that the island needs a central Policy and island needs a central Policy and Resources Committee to ensure, that the work of the States is co-ordinated. Essentially it would bring together both poli-cymaking and the control of financial resources, functions which are at present separated.
This new committee, say the
consultants, should itself review

and free them to concentrate on

year.
According to Barrie Collins,
the Peat Marwick partner in
charge of the review, the recommendations are designed to take into account the need to manage the workload on States members

should also be more delegation

to civil servants. The States and the committees too often get bogged down in details, say the

in particular, a restructuring of financial regulation is recom-

or interest or possibly an independently-constituted commission, to take

responsibility in this rapidly developing area. The late of Man, it should be noted, has already set up a Financial Supervision Commission and Guernsey

Immigration controls

the existing structure of commit-

tees, with the aim of cutting

to have risen by 5.2 per cent since 1981 to 80,212 and Guernsey's by 4.1 per cent to 55,482. Continued growth at that rate in already densely populated islands would, it was agreed, put intolerable pressure on land islands would, it was agreed, put intolerable pressure on land, housing and public services.

.The spectre of overcrowding is the unwelcome side of the island's present prosperity. Jer-sey and Guernsey have virtually full employment with staff full employment with staff shortages in many areas - a situ-ation clearly liable to suck in hundreds more people from the UK mainland unless constraints are applied.

The problem therefore is how to reduce the demand for outside manpower without putting on the brakes so hard that the econ-

the brakes so hard that the com-omy begins to suffer.

Everyone from politicians and professional bodies to phone-in callers to local radio stations has offered views on how this balan-cing act should be schieved. Public opinion has shown an increasingly ambivalent attitude towards the finance industry, acknowledging its value but blaming it for many of the cur-

The debate has also brought strong attacks on government policy from the business community. Ironically, this has happened in both islands, even pened in both islands, even though the Jersey authorities are proposing to do very much what Gustney businessman condemn

Jersey intends to tighten the control it has exercised since 1974 through its Regulation of Undertakings and Development law. This allows the Finance and the setting up or expansion of a business if it is not considered to be in the island's interests.

So far this law has not been used to any extent to discourage business ventures by Jersey peo ple, but now all job-creating developments are to be closely scrutinised. Previously, too, permission to take on more staff has been needed only where a busi-ness was moving its premises but under the new regulations staff increases generally will come under control.

From early next year firms will have to submit quarterly employment returns and, with certain exceptions, get official permission to add staff. The exemptions are likely to be where large numbers of seasonal workers are needed, as in the hotel trade, or where only a very small staff increase is involved.

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had a surprisingly easy passage through the island parliament with not a single member chal-

new control won't be as bad as for a specified period only and their bark, especially if employers ers economise on imported manpower by making full use of decided annually.

Six local trades and professional bodies issued a joint state.

the dire effects originally predicted; indeed some companies
have been quietly submitting divided community, unless the
long-term expansion plans for
approval. Nevertheless uneasiness persists over this enlargement of government powers.
In Guernsey, the Advisory and
Finance Committee has come
under heavy fire for not following Jersey's policy of trying to
Committee the committee of the

Pest Marwick McLintock as part year.
of their economic appraisal of
Guernsey, Recognising that there

THE IMMIGRATION issue has dominated public debate in the ment field as restrictive, bureautratic and particularly damaging cratic and particularly damaging to offshore finance business. One known.

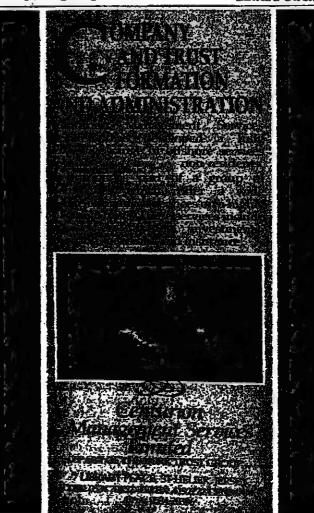
Jersey's population was shown to have risen by 5.2 per cent since 1981 to 80,212 and Guernsey's by 4.1 per cent to 55.482

The employment licensing pro with not a single member challenging them.

Since then Jersey's Economic adviser, Colin Powell, has been dential qualifications who at pains to reassure the business arrives in the island on or after community that the bite of the July 24, 1987. Licences will be new control won't be as had as

Now that the regulations are ment strongly criticising the pro-imminent, few of the island's posed measures which they bankers and other professionals claimed would aqueeze the appear to think they will have labour market even more tightly, the dire effects originally pre- creating an unbalanced econ-

ing Jersey's policy of trying to Advisory and Finance Commit-restrict job creation and propos-tes to report back on methods ing instead to bring in a system by which control on the growth of employment licences. recommendation of accountants set to continue well into next





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1.033 1,168

1,271 1,423

A balancing act between growth and resources

THE RECENT stock market crash may have been severe, but it has so far only dented the surface of the finance industry's some Jersey financier puts it extraordinary boom in the Channel Islands.

Although profits from fund management will inevitably decline after the fall in value of equity unit trusts, fund managers are agreed that there has recently strengthened still furbeen no marked withdrawal of ther, is a control that we hope money by investors - and anyway there are some very big bond and currency funds in Jersey and Guernsey which, if anything, have risen in value in recent weeks.

In just about all other respects the offshore finance industry continues to prosper. Guernsey's Govett (CI), agrees that the banking industry profits jumped authorities are approachable, and the Jersey finance sector earned \$105.7m, up a fifth.

The problems are almost for what he describes as insulu-

accommodation.

In a delicate balancing act. both islands are now trying to limit the rate of growth while limit the rate of growth while trying to avoid giving the impression that they are full up.

"We are going to be forced to look at the type of business we are doing, and possibly move up market," says Barry McCance, managing director of Grindlays bank (Jersey) and president of the Jersey Bankers Association.

"The problem will be not to give the wrong impression overseas."

"The building societies (one of which is taking over an existing local deposit taker) provide a case in point.

The huilding societies (one of which is taking over an existing local deposit taker) provide a case in point.

The building societies (one of which is taking over an existing local deposit taker) provide a case in point.

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The building societies (one of which is taking over an existing local deposit taker) provide a discount of the point.

The huilding societies (one of the building societies (one of the building societies (one of which is taking over an existing local deposit taker) provide a discount of the point.

The hypothetical example is also often given of Japanese diversification for the Jersey banking societies (one of the building societies (one

the wrong impression overseas."
Within the past year prestigious mainland institutions such as Robert Fleming, the London merchant bank, and Clerical Medical and General, the big mutual life assurance office, they are full up have failed to receive a welcom and have gone instead to the Isle

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of Man.
Some Channel Island bankers ever, the Japanese seem to be feel that it would be better for the authorities to be more active in weeding out existing border-line financial companies both to make way for high quality new find a way around the banking comers and to create headroom log-lum by promoting the idea of managed banks, which have no managed banks, which have no expansion by the resident

blue chip operators.
But the islands do not appear
to be aggressive in this direction, although constant pressure is exerted by the compilation of confidential league tables. Figures given "voluntarily" by local companies allow the authorities

earned \$105.7m, up a fifth.

The problems are almost that there are still opportunities entirely those of success, with for what he describes as insultutions of stature to enter the trust companies, fund management groups and insurance companies putting increasing presure on the islands' limited resources of labour and office accommodation.

Meanwhile Colin Powell insists that there are still opportunities for what he exertibes as insultutions of stature to enter the island. Hence the recent granting of licences to Abbey National panies putting increasing presulting societies which want to tap the expatriate savings market through Jersey.

ket through Jersey.
But in general Jersey will only allow in new institutions which have something special to offer. The building societies (one of which is taking over an existing

banking industry (and the same would apply to Guernsey). How-

they are full un

separate physical presence (apart from when the directors arrive for local board meetings) but share staff and premises with established local banks, For exerted by the compitation of established local balls, for confidential league tables, Fig. instance, since mid-year Henry ures given voluntarily by local. Ansbacher has played host to companies allow the authorities. Banque Paribas (Suisse), actuto measure the contribution of ally a bank with which it has the various financial institutions. ing what is necessarily a some-what intimate relationship.



in a letter last May to all Guernsey banks John Roper, commercial relations adviser, explained why the Advisory and Finance Committee favoured the

managed bank concept.
The Committee intends by the implementation of this policy to maintain the open character of Guernsey as a financial centre and the expansion of the finance industry while minimising demand on already scarce resources," he wrote.
Mr. Laurence Morgan of Ans-

bacher explains that four mem-bers of his staff have designated responsibility for Paribas (Suisse) business, which is trans-nitted to Guernsey by a variety of means including a direct computer link with Geneva.

"Mr. Roper is most anxious that they should not be seen as a brass plate operation," he says. So far, however, only one other managed bank has been established in the island, Bank Mercantil, from Venezuela, which operates through the suspices of the Royal Bank of Scotland.

There are also two managed banks in Jersey, although the authorities there seem to be rather more lukewarm about the concept. We are not negative

martin - 120 july to the section of

towards managed branches," Stock Exchange's paperless set

says Colin Powell, "but from a regulatory point of view it is preferable for banks to have a physical presence."

In spite of the restrictions on new licences, bank deposits are growing, by about 15 per cent over the pest year to some \$250n in Jersey, and to nearly \$10nn in Guernsey, which is dominated by private banking rather than the booking of international commercial loans, which swells Jersey's total.

Stock Exchange's paperless settlement system called Taurus will help matters.

Unit trusts simplify the securities business somewhat, and it is no coincidence that Jersey and Guernsey have moved heavily into the management of collective investment schemes.

Bruce Riley, managing director of Guinness Flight in Guernsey, ib which manages nearly \$500m of assets even after the crash, in 28 funds, says that although some pinvestors have been shell-Jersey's total.

As for investment manage, shocked by the events of the ment, more than \$5bn is estipost few weeks the company's mated to have been managed in "umbrella" fund structure has mated to have been managed in "umbrella" fund structure has Witter Reynolds (Canada). He Jersey at the market peak, and limited the outflows. Investors thinks there is plenty of scope probably \$4bn in Guernsey, can switch into less risky funds for other offshoots of big names although the equity market slide rather than pull their money out will have reduced these figures entirely.

will have reduced these figures in the past couple of months.

Channel island banks are being driven by the physical and profitability constraints into this area of securities and trust business which carries higher margins than do basic banking operations. Unfortunately, the shift is tending to aggravate the staff problems.

entirely.

I see a lot of growth yet, he sadvantages for highly paid staff. In this way the range of services and skills available in Guernsey can be broadened. They can enhance the island by their presence without disrupting the environment, he shift is tending to aggravate the staff problems.

While labour scarcity may be a serviced and skills available in Guernsey can be broadened. They can enhance the island by their presence without disrupting the environment, he shift is tending to aggravate the willing to take on signs partition.

The crash has inevitably hit his previously booming business but he adds philosophically:

While labour scarcity may be a Greater skills are needed in problem, at the same time the "Guernsey is a good place to ride courts stripped the secrecy away securities, business and computations have made the although eventually the London. Channel lalands much more flex—

While labour scarchy may be a but he adds philosophically courts stripped the secrecy away from controversial payments over market."

Overriding all else in the made by Guinness through a Jeralthough eventually the London. Channel lalands much more flex—

Channel lalands finance industry say intermediary company, pay-

Jersey income and corporation tax

	Yield tu	•
1965	82.3	actual
1966	103.0	actual
1967	134.7	probable
1968	130.1	estimated*

ible centres for international

financial business. Andrew Lampert has just com-pleted a year in Guernsey run-ning the only North American stockbroking firm in the Chan-nel Islands, a branch of Dean funds, says that although some investors have been shell-

his previously booming business but he adds philosophically: "Guernsey is a good place to ride out a bear market."

Yield tos			
1965	82.3	actual	
1966	103.0	actual	
1967	134.7	probable	
1988	130.1	estimated*	

is the need to maintain the ments which eventually finished islands' reputation as honest and in a Swiss bank account. stable centres.

*29.508m including clearing bank branches

Guernsey GNP

et constant 1986 prices

politically This favourable image has brought dividends recently when clouds have gathered over some Caribbean tax havens and political risks have become more evident in Rong Kong. But there is an inevitable conflict with the confidentiality which has been

Mainland jurisdictions are these days insisting on greater co-operation and Guernsey and Jersey are trying to cast off the image of havens for dubious characters carrying suitceses full of notes.

inquisitive foreign tax inspectors will still get a frosty recep-tion. But last year the Jersey

Jersey income tax

payable 1988

Jersey and Guernsey new company registrations

Guernsey bank profits and deposits

348 375

433 473

2,778

2,691 3,307 4,243

5,838

LUSTATION CONTINUE ANITA TAKEN	SAICHBU.
Aggregate carned income C	Tax
9,850 10,500 12,000 15,000 20,000	nii 195 795 1,450 2,450

ity nowadays because of the worldwide move towards exchange of information, says Barry McCance of Grindlays (Jersey). "We don't mind so long as it is done legally. We don't want a trawling operation."

Colin Powell points to the insider trading law recently passed by the States of Jersey, and the drug trafficking offences law to be enacted in 1988. He also suggests that the Jersey authorities will give consider-ation to whether a response is required to the UK's current Criminal Justice Bill in relation to serious fraud.

"The Island recognises the importance of international cooperation in coping with organ-ised crime," he says.

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WARBURG INVESTMENT MANAGEMENT JERSEY

THE GUERNSEY insurance industry last month paid out \$38,000 on what must be the world's oldest risk - a Roman vessel which sank 1,700 years ago in what is now the mouth of

St. Peter Port harbour. A dummy Lloyd's of London insurance slip was subscribed with real money in order that the raised wreck, dubbed the "Asterisk," can be impregnated with polyethylene glycol and eventually installed in a special

building.
The slip attracted 123 subscriptions including a personal contri-bution from the chairman of Lloyd's of London, Mr Peter Miller. The scheme illustrated the growing size and maturity of the island's insurance sector. Offshore insurance is one of the most competitive areas of the

offshore finance business, but Guernsey is determined to hold Guernsey is determined to hold The late of Man has only about on to its position as one of the leading centres for so called "captive" insurers.

A strong challenge from the lale of Man, however, has forced some changes of policy on Guernsey, which has already Guernsey's insurance superinten-

Guernsey's insurance industry has matured but faces ...

Stiffer competition

well as Luxembourg on the Con-

companies of all types. It is growing, having added 15 or so new captives over the past year, but in volume terms it is a long but in volume terms it is a long way behind Bermuda, which has over a thousand companies, and Cayman, which has around 370. The isle of Man has only about The isle of Man has only about profits, but jurisdictions such as it is in the same time zone

been facing significant transat-lantic competition from Ber-change the tax system, so that muda and the Cayman Islands as payment of the 20 per cent charge on profits can be post-poned to allow extensive Guernsey (it should be noted to allow extensive reserves to be built up, an espetial. Jersey does not compete cially important point for long seriously in the insurance business where the liabiliness) has 108 captives within a ties do not become clear for sertotal of 147 offshore insurance eral years.

eral years.
But further developments are under consideration, with a more radical recasting of the tax laws. This was recommended in the recent Peat Marwick indepenthe Isle of Man charge no tax but only modest fees.

According to a recent state-ment put out by the Guernsey ment put out by the Guernsey authorities: "Guernsey insurers recognise that they should contribute to the local economy by paying taxes." But the competition comes from centres where the main local benefit is sought from fees (including professional incomes) and from associated business travel. The appeal of offshore insurance to Guernsey is that it can bring useful revenues to the island without creating significant numbers of jobs ing significant numbers of jobs locally at a time when labour resources are stretched to the

Guernsey already has a well-developed infrastructure, with up-to-date insurance legislation passed last year, and a score or so of resident firms which manage captive insurance companies.



Managers Association.

The island has become something of a centre for offshore aviation insurance. Locally-based to the like of Man, where several polygon, managed by Transglobe Underwriting, started as a captive, and is predominantly owned by KLM, SAS and Swissiar, but is now writing business for many airlines.

be added on to the existing business of the insurance managers. Bigger captives which might require their own staff are going to the like of Man, where several of the management companies now have parallel operations.

According to Mr. Butterworth the late of Man lacks the technical resources of Guernsey. Most Guernsey managers have under

is looking for the kind of captive is looking for the kind of captive companies which will only write tions of another 15 or so applications to set up new captives over (sometimes only one), will genther the next year. "But it is very

Twelve have become associated through the Guernsey Insurance be added on to the existing business of the insurance managers.

The island has become some Bigger captives which might

sair, but is now writing business cal resources of Guernsey. Most for many airlines.

In general, however, the island writers with them, he says.

cyclical," he admits.

Mr. Butterworth is looking for a lot more of what are called "association" captives - owned by a group of companies, perhaps a trade association, rather than a single parent - and is also hoping to attract more business from Continental Europe where the captive concept has been slow to catch on and where the compet-tion from Luxembourg has been

Another sector of the insurance industry, offshore life assurance, where there are ten companies, is however facing increasingly severe problems because of the population presumes in Charmes i

sures in Guernsey.

"Unfortunately they are labour intensive," says Stephen Butterworth, although he claims greater computerisation could solve some of the difficulties. The Isle of Man is again the main beneficiary of the rapid expansion in this sector.

Even in the captive insurance business the increasingly tight restrictions on business growth are becoming irizone. According to Ian Daish, chief executive of Transglobe: "Guernsey can no longer afford to be complacent about the insurance business."

about the insurance business."
He says that the island enjoys a high reputation, and existing client companies are enjoying healthy growth. "But new captives have not been coming in the droves they were," he

observes.

Mr. Daish mentions the possibility of acquiring a new client company next year which might require the addition of 20 staff.

"I need an undertaking that I can get new staff in," he says, adding: "Guernsey has to make up its mind whether it wants us here."

Data protection

Comparable confusion

CHANNEL ISLANDERS gained the right on the same day as UK registrar, Eric Howe, they residents to inspect the personal data about themselves held on computer files.

computer files.

A data protection law went on A data protection law went on the statute book in Guernsey on March 3 and in Jersey on September 1, with both islands meeting Britain's November 11 deadline for bringing the provisions fully in to force. This has enabled the British Government's ratification of the European convention to include the two offshore balliwicks.

two offshore balliwicks.
The island authorities made no secret of the fact that they were joining the computer club simply because they could not afford to stay out. The alternative would have been the disastrous pros-pect of their fmance industries being cut off from transmissi of computer data from the UK

and the rest of Europe. In practice, the island's laws are close copies of the UK Act.
But while the decision to follow the UK model was accepted
quietly in Guernsey, the 350strong Jersey Computer Associa-tion mounted a vigorous cam-paign against "slavishly copying" the mainland and succeeded in getting the parliamentary debate on the measure delayed for a

month.

The Association argued that the proposed UK-style law was not only unnecessarily cumbersome but did not take account of Jersey's special needs as a finance centre. It saw no need locally for registration of data users and, when asked for its suggested amendments, returned

confusion it seemed to have independence and their opera-caused. But the committee's tion as financial centres." president, Sir Martin Le Quesne, said that, after looking at the

The official argument was that as most Channel Islands com-puter users had UK connections it was sensible for the local legis-lation to be the same. But Vic Hanby, chairman of the Jersey Computer Association, suspects that the island authorities also saw this as the shortest cut to ensuring Whitehall approval of

their laws.

Meanwhile there appears to be much the same confusion as on the mainland over who needs to register. Jersey's data protection register. Ray Sidaway, and his Guernsey counterpart, Michael Clark, both think that many more users probably ought to register than have so far done so, the substitute of the second states of the second se

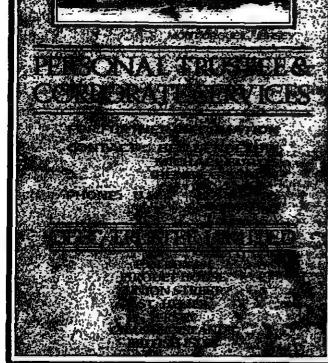
although they admit they have no idea what the total should be. One of the finance communi-ty's initial fears was that trust ty's initial fears was that trust and company administrators might have to register individually all their thousands of clients. In the event, both lersey and Guernsey have decided that this is unnecessary where the trust or company has a non-resident beneficial owner, and only the administrator itself need register.

An advantage of copying the UK Act, it has been argued, is that the islands can benefit from clarifications of the law and court decisions reached in the UK.

suggested amendments, returned the draft law with all references to registration struck out.

The Jersey States committee responsible for steering through the measure had doubts itself at one stage about adopting the UK law because of the amount of caused and the stage of the amount of caused and the stage of the amount of caused and the stage of the amount of caused and the stage of the stage of the amount of caused and the stage of the stage

Edward Owen



Investor protection

Rush to match UK rules

Financial Services Act 1986 are causing a good deal of aggravation for Jersey and Guernsey just now. And Guernsey, at least, has more than a passing preoccupation with Section 130 too.

The full creations of the UK's

tion with Section 130 too.

The full provisions of the UK's new investor protection legislation are now due to come into effect next April, in less than four months' time. It looks as though the impact on unrecognised offshore funds will be tougher than under the existing Prevention of Fraud (investments) Act.

ments) Act.
It will become illegal for UK intermediaries to market such funds (even to expatriates)

Moreover, it has been open to Section 87. Moreover, it has been open to Section 57.

fund promoters to obtain a listing on the London or other cited in "designated territories"
recognised stock exchange, in will be eligible for marketing on
which case the obstacles to the mainland. The UK's Secremainland marketing have mostly tarry of State for Trade and

SECTIONS 87 and 88 of the UK's possible for offshore funds to be Island funds if Jewey and Guern-

be enforced under the enabling siders.

be enforced under the enabling siders.

From the Channel Islands' tage of having enabling legislation of the original and the enabling legislation. On the one hand, detailed rules. One complication there is great uncertainty and is that there are a number of the offshore specialists are liable offshore life assurance compation about an aggressive act of extrateristicality by the UK. On the affected by the mainland legislation are gulators are being and regulators are being act. They will need to be recognized that the mainland regulators are being act. They will need to be recognized to the contractive, and once designated territory status is obtained the Guernsey and Jersey funds could require adequate protection to be demonstrated and the sticking point may well be the need for

are trying to cut corners by simply reproducing whole chunks of assurance products are given 90
the UK legislation in order to
reduce the chances of arguments: there can be no dispute through an industry-wide comabout "equivalence" if the rules pensation scheme. But a similar are exactly the same.

Channel Islands are also pursu-ing the possibilities raised by Section 38 of the Financial Services Act, which proposes an alternative route to recognition. This relates to individual funds, which would themselves have to prove they were able to provide

Exactly what this means Exactly what this means remains obscure, and it is not evident whether the provision is meant to apply to centres like Jersey and Guernsey, which each are host to several hundred offshore funds with assets of the order of 54bn on each island. However, the Channel Island authorities are looking at the possibilities.

The Channel Islands are not in a position to take advantage of yet another route to recognition by the mainland, Section 86.
This applies only to funds regis-tered in member countries of the European Community. So Jersey and Guernsey funds could be at a disadvantage in some respects to the increasing number of funds being set up in Luxem-bourg. Gibraltar, too, counts as being part of the EC.

Can the Channel Islands meet the April desdiine for designa-tion under Section 87? "We are going to find it difficult," admits James Jenkin, Jersey's assistant commercial relations officer. Quite apart from the need for destring and sections drafting and enacting new laws and regulations, there will be a requirement for individual funds to change their constitutive documents, involving the calling of

possible for offshore funds to be Island funds if Jersey and Guern-sold so long as they have not say can take advantage of the been advertised or otherwise key escape provisions in the promoted.

Homography is her have a say in the large of the Jersey Fund Managers Association, is concerned that Financial Services Act, set out in the UK regulations themselves will not be finalised until Febru-

ary. "What we badly need is a transition period," he says.

Mr Wilkinson, who is managing director of MIM Britannia international, says that although the UK sales of his company's 25 funds are often small there is mainland marketing have mostly disappeared.

But from next April such listings will be irrelevant, and in fact the London Stock Exchange that such territories provide some mainland business for 20 of them warning them that because it land.

The Channel Islands intend to market for any fund, "he argues them to issue shares freely they may cease to qualify for a listing. However, none of these dire own collective investment unangers will have to decide undertakings law. Guernsey whether to apply for this status already has such legislation in which would want to apply for this status already has such legislation in which would wountend to apply for this status already has such legislation in which would wountend to apply for this status already has such legislation in which would wountend to apply for this status already has such legislation in which would wountend to apply for this status already has such legislation in which would wountend the united the undertakings and international, says that although industry will grant designated the UK sales of his company's 25 status so long as he is persuaded funds are often small, there is status as long as he is persuaded funds are often small, there is status as long as he is persuaded funds are often small, there is status as long as he is persuaded funds are often small, there is status as long as he is persuaded funds are often small, there is status as long as he is persuaded funds are often small, there is status as long as he is persuaded funds are often small, there is status as he is persuaded funds are often small, there is status as he is persuaded funds are often small, there is status as he is persuaded funds are often small, there is status as he is persuaded funds are often small, there is status as long as the UK sales of his company is status as least of the UK sales of his company is status as long as the UK sales of his company is status as least of the UK sales of his company is status as least of the UK sales of his company is status as least of t

own collective investment managers will have to decide undertakings law. Guernsey whether to apply for this status already has such legislation in which would require payment of place, but that is not the end of it because the islands also need ties. "It won't be a tremendously to draft detailed regulations to large number of funds," he consider the endotred under the analysis.

The big problem at present is Guernsey to show that there are that seemingly impossible time pressures apply. Consequently provided in the UK under the the Channel Island regulators Policyholders Protection Art are trying to cut corners by

plan for an offshore centre like However, the existence of two types of funds - both open-ended impracticable because the failure investment companies and unit of one company would be much trusts - complicates the issue. On the mainland there are only unit trusts.

plan for an onshare centre incentive incompany would be much trusts - complicates the issue. On the more expensive for the remaining life offices than in the UK where there are several hundred companies.

Another problem area is that companies.

Another problem area is that companies.

Another problem area is that companies.

Philip Goldsmith, marketing director of the Guernsey company of the Guernsey company. Providence Capitol International is also chairman of the newly-formed Offshore Life Offices Association which has members in the Isle of Man and Luxembourg as well as the Channal Islands.

nel Islands. He says that several acher are being discussed, including OLOA-wide schemes. The main thing is to get something agreed and approved before April. Per-sonally I welcome policyholder protection. It will make market-ing much easier."

Berry Riley



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MIM Britannia International Limited

A healthy year ahead

unbroken history of indepen-dence within the overall jurisdiction of the Guernsey Bailiwick, Alderney's community was rebuilt after the second world war, during which the island had been evacuated and used by the

Germans as a slave labour camp.
A new constitution in 1948 set up a parliament of nine mem. bers, subsequently increased to 12, and a President, all elected by universal suffrage. This makes Alderney the only Chan-nel Island with a democraticallyelected head of government. Jon Kay-Mouat the island's resident advocate, begins his fifth consec-utive term of office as President

next January. But the 1948 reconstruction also made Guernsey responsible for underwriting the smaller islands financially so that today Alderney - only three and a half miles long by one and a half has a work permit system in miles wide - is tied to the operation local businessmen say increasingly sophisticated lifes that there will be no difficulty tyle of its prosperous neighbour.

The 2,200 inhabitants are

in Links

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7 350 Dec.

Edwards

pay Guernsey's rate of income Aurigny Air Services is based in tax, social insurance and duty. Alderney and beside providing And the island has to foot the good links with Jersey, Guernand the island has to toot the good links with Jersey, Guernbill for Guernsey's administrasey, Southampton, Bournemouth
tion of main services such as and Cherbourg makes it pereducation, public health, social feetly fessible to undertake day
security the airport and policing.
Although an extra few thousand pounds in tax returns is to boast about Alderney's infraoften all that is needed to swing structure.

This year looks healthy for computer links, enough with a 10 per cent rise in Alderney has a se tourism a record number of visit-ing yachts and an expected accu-

even better, with an expected Some local businessmen think surplus of \$750,000. The tourist that Guernsey has done nothing trade is likely to get a boost from to point finance, industry a new link by Condor hydrofoll 'crumbs' too small to interest the from Weymouth operating three smaller island, in Alderney's times a week from June 16. The direction. There is also resent-service will also provide better ment about the Guernsey Post sea connections between Alder- Office's handling of Alderney ney, and Guernsey and Jersey. stamp issues.

Lately, the authorities and In 1981 it was agreed that the local businessmen have been try-

FOLLOWING consultations with ing to extend the scope of AlderGuernsey's government, the ney's prospects by attracting which would receive net profits
Home Office and the banks, finance business that would be after deductions for printing
Alderney is proposing to introoutsidered too small for Guernadministration and any losses

commutee and what is seen as the most promising form of new business - smaller UK building societies seeking offshore offices.

Roger White-Smith admits that the credibility of tiny Alderney as a centre for even modest offshore business is probably the biggest hurdle to correction.

Sark has to face the fact that an invisible income may dry up

Unlike Jersey and Guernsey there are no restrictions on outsiders buying and occupying property, And although Alderney alone in the Channel Islands about obtaining permits for anyone benefiting the community.

The Channel Islands airline

often all that is needed to swing structure" the island is com-Alderney's annual budget out of pletely integrated with Guern-the red and into the black, the sey's Telecom system which economy - based largely on provides direct dialling to 170 wealthy settlers and tourism - is countries worldwide telex and fax transmission and facilities

Alderney has a separate com-pany law dating from 1894, but in this context Guernsey's Big lated budget surplus of Brother role has the advantage of ensuring the same standard of The forecast for next year is supervision.

ven better with an expected Some local businessmen think

Home Office and the banks, Alderney is proposing to introduce its own money coins and service.

Says the chairman of the service incurred in operating mail service.

A couple of trust companies mail service.

A couple of trust companies mail service.

The first definitives were issued in 1983 and up to 1985 white-Smith: "We must be one of the few self governing community the few self governing community the few self governing communities and what is seen as office claim that the cost of the most promising form of new few services around the world that the cost of the most promising form of new finance by Guern in this instance by Guern Office claim that the cost of operating the postal service exceeded profits in 1986 - a loss borne in this instance by Guern-

> Costs this year are also expec ted to exceed profits and no new issue is planned for 1988. State distributes is probably the biggest hurdle to overcome.
>
> Yet for organisations such as small building societies, freed under new UK legislation to court custom from expatriates, the island has advantages.
>
> Confronted with this plunge from profit to loss, Alderney has appealed to Guernsey's Advisory and Finance Committee and the subject is still being discussed in the meantime, Alderney is determined that proposed is or the mined that proposals for the island's currency will be kept

under its own control.

The tiny island of Sark, meanwhile, is having to face the fact that an invisible income which has discreetly earned its 500 residents thousands of pounds annually for many years and may

soon dry up. The finance committees in Jersey and Guernsey have agreed in principle to introduce a new kind of tax-exempt, non-resident company that would no longer be required, as at present, to have a majority of non-local directors and hold board mest-

ings outside the islands.
Sark has prospered by being the most convenient location for such meetings and director-renting there has grown into big business for some inhabitants and a useful supplementary

Tales of board meetings held over the washing up in small cottages and of directors more used to gutting fish than holding a ballpoint have led to the practice being nicknamed the Sark lark.

Not a penny from these earn-ings goes direct into Sark's gen-eral revenue because there is no income tax. But all Sark's services and facilities from its res-taurants to its children's boarding school fees and the upkeep of its houses has bene-fited from the bonanza Michael Beaumont, the heredi-

tary Seigneur, has warned that it will have serious long term implications if this source of livelihood disappears. But so far no one has mentioned the unmentionable - the introduc tion of income tax for the feudal

Willa Murray

Bob Baker examines the islands' busy media scene

BBC will enter the TV news race

per copy, claiming virtually "sat-uration" circulation.

Channel Television, the Inde-pendent Television Authority's smallest contractor, with studios

in Jersey and Guernsey, claims up to a 75 per cent share of local viewing figures for their "flagship" news and current affairs programme Channel Report at 50 per cent weekday.

The BBC's radio stations, set up five years ago as separate operations in Jersey and Guernsey, have what are described as under way early next year.

However, Channel Television, set the UK national operation. This is expected to get under way early next year.

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However, Channel Television, set the UK national operations in Jersey and Guernsey in the BBC is now planning to into much larger new means there in Jersey.

Among other things, this will enable the company to produce much more programme material operations. The UK national operations in Jersey and Guernsey in the UK national operations in Jersey and Guernsey in the UK national operations in Jersey and Guernsey in the UK national operations in Jersey and Guernsey in the BBC is now planning to into much larger new means there in Jersey.

Among other things, this will enable the company to produce much more programme material for export to the UK national operations in Jersey is deally the company to produce much more programme material the company to produce much more programme material operations in Jersey is nearly \$40,000.

Encouraged by such interest, the BBC is now planning to into much larger new means the programme material into much larger new means in the material into much larger new means in the material into much larger new means in the operations in Jersey and Guernsey, have what are described as
the highest listening figures of
any of the Corporation's local
radio operations. Spurred on by
such support, the increase in local television race for some their programming has been phenomenal.

FOR SUCH relatively small communities, media activity in the Channel Islands is intense.

Both Jersey and Guernsey have their own, separately-owned, daily newspaper selling respectively around 25,000 and 16,400 copies six days a week 16,400 copie

the week. The Jersey station's an 80 per cent pre-tax profit figures are equally as impressive.

A further measure of the two stations' "pull" is that during the BBC's recent nationwide Chilthead a rights the group has launched a rights

broadcasting 75 minutes a day, for the better, since just over a locally. five days a week. Now there are year ago they linked their screen. The r

With all its activities booming the group has launched a rights issue to raise additional capital

60,000 adult readers a day out of the population of 82,000. This, they say, "easily outsells the combined total of all UK phenomenal.

After years of struggling they say, "easily outselfs the For example, the Guerneey state against financial odds, CTV's for combined total of all UK tion started with four staff tunes have taken a distinct turn national newspapers sold

The newspaper is part of The

lishers who produce a number of special interest and controlled-circulation titles.

One is Jersey Holiday Post, a weekly distributed to all hotels, weekly distributed to all hotels, guest hotels and camp sites each summer. It has a more upmarket winter counterpart - VIP Post.
Included, too, is a gloss magazine, Offshore Finance, distributed. zine, Offshore Finance, uted free throughout the world to provide a "shop window" overseas for the Jersey and Guernsey finance industries.

Michael Stephen have also just launched a local glossy maga-zine, Jersey Now, to be posted quarterly to 10,000 selected

homes in Jersey.

The other "big gun" of the island media scene is a broadsheet daily, Guernsey Evening Press and Star, the "flagship" of the 90-year-old Guernsey Press Company's diverse printing, publishing, wholesale/retail and

property-owning operations. The company claim that their newspaper is read every day by

population with only three out of every 100 adults not reading it at least once a week. This, they say, compares with only 62 per cent reading all of the national

newspapers put together. Like its Jersey counterpart, the Guernsey company, whose editorial staff use direct input technology, also produces a weekly newspaper largely for overseas circulation to expatriate islanders. In addition, for several years they have produced a free Saturday leisure and entertainment tabloid pull-out called Weeken-

coupled with a bustling offshore finance industry, it is not sur-prising that there are several busy local advertising agencies.

Two of the largest, BdO and Wallace Barnaby, each with turnovers estimated to be in excess of £1m a year, have offices in both Jersey and Guern-sey and are branching out into other offshore territories. BdO recently opened an office in the City.

Property

Migrant law inhibits the top end

PROPERTY FIRMS in the Channel Islands are trading in a mar-ket much like that of London's commuter belt, with plenty of money around and high earning

professionals ready to go well into six figures for a house.

The value of residential property sales in Jersey over the 12 months to June 1, 1987, totalled over \$170m, according to a comand the average price of a house was \$94,000.

Jersey's figures are normally boosted by sales in the £im region to what are known as k

Over the past year, however, business in that sector has fallen off. The reason has been the decision of the island parliament

Jersey agent Freddie de Gru- restriction to newcomers.

chy said: "The top end of the Said agent Pat Swoffer: "Busimarket has been very badly hit.

There has been a considerable market from \$300,000 upwards erties have been bargains for

in the \$600,000 to \$1m brack- eligible for the "open market" et. He points to the fact that, register, representing the preaithough the quota is five, only mium mainland buyers are preone wealthy immigrant has actu-

puter analysis by local estate tially had a depressing effect on that a \$700,000 property can agents, Robin Stone Partnership, the general property market, but look much better value than a most of it recovered quickly. \$180,000 one.

Properties up to half a million Like the sou

> returns. There have been signs by 40 per cent in the past year of it with recent sales of and where, unlike Jersey, there \$600,000 and \$900,000. Guernsey estate agents report

new restrictions have caused a Under Guernsey's system a loss of confidence among buyers house jumps in price by being

one wealthy immigrant has actu-ally moved into Jersey this year under the k category.

He said: The new controls ini-ent as one moves downmarket so Like the south of England, the

pounds or so have been selling Channel Islands have been because professional people are experiencing a general steep rise now earning enough to pay that in house prices. The impact on price. class buyers - a limited number price.
of wealthy immigrants allowed in under section 1(1)(k) of the un is no price control.

The combination of an acute

decision of the island parliament Guernsey estate agents report
to put tighter restraints on immigration, reducing the annual island's so-called open market, prices has led to an unexpected
quote of rich settlers admitted a pool of 1,700 higher- priced new market opening up in
from 15 to 5.

Jersey agent Freddie de Grurestriction to new comers.

Jersey agent Freddie de Grurestriction to new comers.

Stid agent Freddie de Grurestriction to new comers.

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Guernsey estate agents report
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drop in prices."

has been very good but the lower
Robin Stone thinks that the end has been pretty slack."

new restrictions have caused a Under Guernsey's system a volume of fine at are built either for a particular under \$60,000. The Guernsey client or on a pre-let basis.

Tourist Board however, is worwhere there is accommodation,
ried about the loss of up to 1,000 it is snapped up before the agent
beds and the loophole in the law needs to look for a tenant.

the UK owner of the bungalow expected to have space for let-simply decided to leave it empty. ting; now it is likely to be fully Fuelled by the continual occupied by the Bank's own growth of the finance industry staff.

Peter Port, the respective capitals of Jersey and Guernsey, the

beds and the loophole in the law needs to look for a tenant, that enabled this market to develop is now being closed.

'Under Jersey's housing law any residential property transaction can be referred to a panel for scrutiny and the price chart blocks were bought by reduced. The aim is to keep down prices for the less well off, but Freddie de Gruchy thinks. but Freddie de Gruchy thinks Bermuda now has two buildings, this interference with market one opened in 1980, the other forces is counter productive. He completed this year, both are cites the case where his firm being fully used by the bank obtained an offer of \$96,000 but itself. A 27m development elsethe housing authorities stipu- where in the town by the Royal lated \$72,000 with the result that Bank of Canada was originally

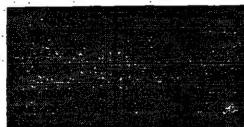
the commercial property market
is buoyant - almost too buoyant Chris Shields: "If another finansince the demand for office cial institution never came into accommodation exceeds supply. the island, I think the expansion Observing the amount of of the existing industry would development in St Heller and St take up forseeable office space."

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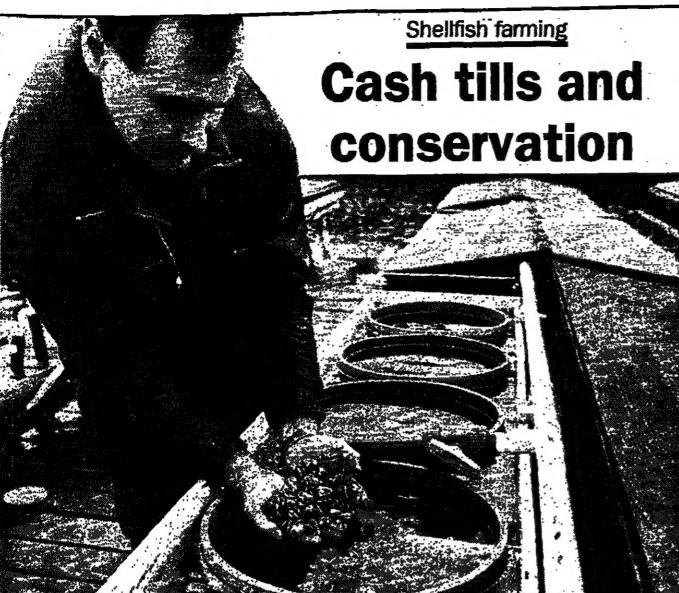
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ing. Quite why anyone should bother to fish so enthusiastically delicacy found in the Channel Islands and like so many other species these days, one which

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Trevor Wyrm, Royal Trust Bank (Jersey) Limited, PO Box 194, Royal Trust House, nberie, St. Heller, Jersey, Chennel Islands. hone: (0534) 27441, Telesc 4192351 FTJSY G. Fec: (0534) 32513.

a rubbery molluse that needs to be cooked slowly overnight, before it is remotely tender enough to chew on, is a mystery. Like a limpet, it has only a top shell, the inside of which can be pearly, its large foot both attaches itself to the rocks and

In most other parts of the world it is called abalone and the inhabitants of Guernsey speak in loving tones of this delicacy. Its local name is a corruption of oreille de mer because the rough upper side of its shell looks like a

mummilied ear.

To try to prevent overfishing,
Guernsey has peculiar by-laws
which restrict the once popular which restrict the once popular practice of foreshore gathering of the ormer to the days of the new moon and full moon, and two days after each, from January 1 to April 30; in other words for 24 days in the coldest part of the year, with no diving gear or thermal protection permitted.

not surprisingly, when pressed, over half admit never to having eaten an ormer, and others say that it is not all it is cracked up to be.

Nevertheless

Nevertheless, because the numbers are severely depleted, the government of Guernsey decided that something needed to be done about it. After consultations with the universities tations with the universities of Brest and Galway, plus some input from Portsmouth Polytech-nic, it has financed the construction of a series of large breeze block "hives" at about the low water line, the molluse's natural habitat. It is now boping to persuade local people to become foreshore farmers and take responsibility for rearing allocations of the 10,000 seed ormers a year which the Government plans to supply over the next

three years.

Once they have grown to full size, the farmers' job will then be to harvest them for shipment to a world market reckoned to be capable of consuming 300m. tons of abalone a year. As it is, the current total world supply is put at no more than 30 tons. Cash tills and conservation, it seems,

can go hand in hand. Another shellfish venture a few miles away is strictly com-mercial - oyster farming. Sur-rounded by an array of bubbling rounded by an array of bubbling are exported every year, particu-bottles that would have kept Dis-larly to France and Spain. ney's sorcerer's apprentice entranced for hours, Mark Drav-ers and his wife Penny, along

with colleague Richard Fox, have devised a system which produces 200m beby oystem each

produces 200m beby oysters each Monday morning.

They achieve this by having the equivalent of a few queen bees sitting in a tank being fed on the very best quality algae. The water temperature is gradually increased to create an impression that the tide is coming in over hot sand; so it must be summer and time to breed. be summer and time to breed.

Each breeding oyster,a highly

Each breeding oyster, a highly prolific Japanese variety, produces 20m to 30m eggs. There are 10 of them working away hence the weekly birthrate of 200m.

The eggs are artificially inseminated, and develop into larvae which, after two or three weeks, then metamorphose by attaching themselves to a conveniently-provided sliver of shell or stone and start growing their left shell. Like Strasbourg geese, the larvae Like Strasbourg geese, the larvae are fed a saline soup cooked up algae with the result that they vary in colour from near-clear and lime green to sarsaparilla

brown.

The larvae need different in an algae, which are brewed up in an adjoining laboratory, at different stages in their growth in order to achieve their maximum growth rate of approximately 20 per

cent a day.

Eventually the little seedlings are strong enough to face the great outdoors, which in this case is is the Guerney Sea Farm, a four-acre, 90-foot deep, coastal pool, overshadowed by the towering granite cliff from which it was quarried in the first place. Originally a rock hole near the sea, it was transformed into a saltwater pool by a Royal Engi-neers blasting exercise. It is an ideal environment. It receives ample sunlight which, in turn, breeds abundant plankton.

A paddle wheel reminiscent of

something from a Yukon gold mine, pumps 30 tons a minute of food-enriched water from the pool up through the baskets in which the seedlings are growing and, despite the high mortality rate - it's the same for the clams which are also farmed there -between 20m and 30m seed oys-ters about the size of a fingernail

Steart Alexander

THE DAMAGE caused by the October hurricane was another blow for island growers who have been struggling to remain viable in recent years.

viable in recent years.

In Guernsey it is estimated that 38 per cent of all glass houses was affected by the storm, with 246 acres damaged and 17 acres totally destroyed. Of the latter, 3 acres were of old glass not in production.

In some cases restoration is expected to take six months aithough unlike the polythene tunnels favoured by many Jersey growers who woke up to find them a total write-off, all the storm-hit modern glass is repairable. Portuguese workers from Madeira have come to Guernsey Madeira have come to Guernsey to help carry out the work.

But the hurricane was a fresh

setback for an industry which, settack for an industry which, according to a recent study of its prospects by consultants Peat Marwick McLintock, (undertaken as part of a general economic appraisal of the island) has seen a decline in its area of glass from 182 scars in 1970 to 712 scars in 1970 to 712 scars in 968 acres in 1979 to 712 acres in Tomatoes, which once domi-nated the island's horticul-

ture have declined over the same period from the position where they accounted for 60 per cent of the glass to only 14 per cent.

Total revenue from horticul-Total revenue from horticul-ture's principal exports fell in real terms from nearly \$62m in 1979 to less than \$27m in 1986. The report added: "The decline of the industry has not been fully recognised. In many quar-ters horticulture is still regarded as a, if not the, major industry." The consultants foresaw con-tinued contraction over the continued contraction over the next five years with commercial acre-age under glass falling to around 625 acres. They predicted a fur-ther drop in tomato production although not on the same scale as recent years with a rise in export of roses, exotic plants and commentals.

The decline in the Industry has not been fully recognised

Recommending "a strategic overview containing detailed projections" for the industry, PMM suggested that Guernsey's policy-making for horticulture had been based more on sentiment and political pressure than on "rigorous analysis of the industry's prospects."

industry's prospects.

John Langlois, president of the horticultural committee, thinks that some of PMM's conclusions inst some of PMM's conclusions are unduly pessimistic, iditholigh he has welcomed the recommendation that there should be an independent review of the infinitury. He points out that in the past, it was horticulture that had pioneered outside assessments with an independent report on the tomato industry, followed by

appraisal had come at a time when the industry had been fac-ing special difficulties from which producers had recovered well. He praised the resilience of

weil He praised the resilience of Guernsey growers, who, gener-ally speaking, "got off their back-sides and down to work." Mr Langlois instanced the dev-astating frosts early this year when \$30,000 of government money was made available for producers in difficulties. In the event only four applications were received of which three

were received of which three were never pursued.

Tover the past three years, Guernsey's government has spent \$5.25m on support for horticulture. The industry is now one third the size it was 15 years ago and represents about 9 per cent of GNP.

Initially, support was seen as

Initially, support was seen as spring and better market prices. essential to ease the job loss Klwi fruit is now produced by a problem but today's conditions number of growers in some 34

Horticulture

Hurricane blow

of virtual full employment and scarcity of glasshouse labour have changed the situation. Last year, tomato growers received \$200,000 in price support - final payment in a govern-ment scheme to help producers sion. It was introduced in 1980

with \$600,000. Support now takes the form of Support now takes the form of low interest loans for investment in modernisation, help with sales promotion, and grants for growers experimenting with new crops. Aid is linked to export sales for the industry at 3 percent of the total for capital investment and 1 per cent each for moneton and new crops.

investment and I per cent each for promotion and new crops.

It has been of great assistance to Guernsey, faced with the decline in its tomato traile, in reshaping its horticultural industry and looking with some success - for new crops. One has been cut flowers which have been boosted by the sharp increase in fuel prices experienced in the 1970s since they require less heat. Whereas the enced in the 1970s since they require less heat. Whereas the acreage under glass devoted to cut flowers stood at around 31 per cent of the total in 1979, by last year it had risen by over 50 per cent with 420 acres of flowers grown indoors as against 278 th 1979.

Figures for 1986 show that flower exports including orna-mentals were worth nearly \$19m, tomatoes \$6.5m and other edible crops \$1.305m. One of the fastest growing new markets has been flowers sent by post. Last year 353,171 boxes - an increas

year 353,171 boxes - an increase of 100,000 on 1985 - were mailed bringing in nearly \$2.5m.

The Guernsey Growers' Co-operative - successor to the Guernsey Tomato Marketing Board - began trading at the beginning of this year from former GTMB premises lessed back from the island government.

The new marketing organisation is voluntary, governed by its own members. Legislation forcing all tomato growers to export through the GTMB was rescinded two years ago and the board - established in 1953 - was put into liquidation.

put into liquidation.
Recently the co-operative installed three fast chill units in its cool store, principally to enable kiwi fruit to over-winter in the island until the coming of cooling and better market in the conting of cooling and better market in the conting of cooling and better market in the conting of cooling and better market in the conting of coolings and better market in the conting of coolings and better market in the conting of coolings and better market in the contingent in th

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acres of glass.
Channel Islands Exotics, which has a kiwl fruit section, was formed this year by a group of eight producers to pool exper-tise and marketing ideas for the babaco, a South American fruit allied to the paw-paw. The group expects to export some 26,000 babaco in 1987 and will eventually grow other experimental crops. Trials are being carried out at the Horticultural Advisory Service on a "Guernsey basket of exotic fruit" include some in the

tomato family such as pepines and Cape gooseberries. Peppers, aubergines, parsley, celery and cucumber are among more conventional alternative crops other growers are now

including
Horticulture in Jersey is well
diversified. The island exports a
greater variety of crops than
Guernsey but the industry has
never been a mainstay of the

smaller islands and has not suf-fered the same traumatic contraction. Jersey's main export, the potato, has continued to hold

the potato, has continued to hold its own in the UK market.

The latest available export figures show that horticulture was worth £22,766,707. in: 1985 about \$2m down on 1984 which was considered a record year. Biggest single earner was the Jersey potato at over 59.5m, fol-lowed by cauliflower at over 53.25m and flowers at just over

Jersey grows far more vegeta-bles and flowers outdoors than Guernsey and cultivating Jersey Royals under polythene sheeting is an increasing trend. Over 1,200 acres of potatoes were planted under polythene in 1985 com-pared with about 530 acres in

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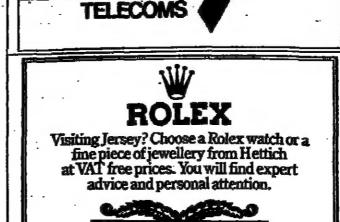


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CHANNEL ISLANDS 7

MILLIONS OF pounds are to be spent by Channel Islands elec-tricity undertakings to ensure short-term and long time sup-plies for their 60,000 customers, while decreasing their depen-dance on imported, dollar-costed oil as a primary generating fuel The part private and part Gov-ernment-owned Jersey Electric-

ernment-owned Jersey Electricity Company(JEC) with 35,000 which may soon be going out to
consumers, has already laid a
submarine cable to the nearby
French coast to draw in cheaper
electricity through the summers
from Electricity de France(EDF)
In 1986 this link supplied 163m with of financing which, from
Electricity supplied 163m with thours of electricity
against a total of 217m kilowatt
hours generated locally. There
was also an input of 75m kilowatt hours from a small refuse
incineration unit.

In Guernsey last year was 8.7MW
and the maximum this year was
55.3MW. Jersey's maximum in
Wind power electricity generaworth of financing which, from
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150.3MW. Jersey's maximum in
150.3MW. Jerse ernment-owned Jersey Electric-ity Company(JEC) with 35,000 consumers has already laid a submarine cable to the nearby French coast to draw in cheaper

incineration unit.

As the European grid generates into the continental European grid followed a detailed report mary sources, from water power, oil, coal and nuclear power, this is already seen as a substantial step towards flexibility.

In January, the Jersey Parisament will debate the report setting out the future options for consultants also eliminated three locally separated electricity.

locally generated electricity. A switch from oil to coal-fired primary fuel is to be recommended, again on grounds of flexibility

plus economy.

The last is regarded as comln Guernsey negotiations with pletely uneconomic, although
EDF for a similar submarine the Channel Islands do expericable link are "progressing" and dille of up to cable link are "progressing" and ence tidal rises and falls of up to site investigations have been carried out. Mr John Humphreys, A refuse plan would cost an general manager of the island's estimated 54m to 513m and States Electricity Board says that would produce only about 3MW work is still continuing on tech-

Energy supplies

French links

gate the concept of "plugging" into the continental European grid followed a detailed report by consultants Ewbank Preece Power and Water Limited of

renewable energy technologies
as serious alternatives - wind
power, refuse incineration and a
tidal barrage
The last is regarded as com-

The first choice would not increase fuel flexibility and the capital costs involved would require tariff increases.

There would have to be tariff increases too, if the French linked option was selected, not only to cover installation costs but also because it would have to be used during the winter months when French electricity is at fits most expensive.

Furthermore because the supply from EDF depends upon overhead cables for the land-based portion of the link, the reliability of supply could be affected by the ravages of winter snow and les.

These are some of the reasons why a coal-fired powered station is looking the strongest contender. Mr Richard Wade,managing director of FBC believes that new technical developments can help overcome the environmental problems of discharging coal cargost and disposing of asia.

Coal can currently be delivered to derivery as profess that are 40 per cent cherney at the calorille values. Some long team forecasts say this differential contender when the form load recogning the market and for impulse buyers and hotels are proparating to take of sales meetings, seminars and other corporate gatherings.

Neverthers they could be affected by the ravages of winter snow and les.

These are some of the reasons why a coal-fired powered station is looking the strongest contender. Mr Richard Wade,managing director of FBC believes that may be completed to derive the summer influx of loyal may be completed to derive a summer influx of loyal mass is more to summer than the summer influx of loyal mass is more to summer than the summer of the contender. The days when high-season are booking is the summer influx of loyal mass is more to summer than the summer of the complete and their unique of the summer of the complete contenders the summer of the complete complete complete contenders the summer of the complete The pattern of the Channel are grounded that to produce snything like the island's tourist trade is changing and their marketing strategy to continuous an

If it comes off the coup will

with its current aspiration to

rront, the islands are searching for a new identity. The sun-and-beaches image is being phased out in favour of projecting a more upmarket picture. The emphasis is now on their natural beauty and restful environment, their rich archaeological and historical heritage, and their unique character as small self-governing communities.

The largest current scheme is at Jersey's Hotel de France where a major redevelopment has included the rebuilding of one wing at a cost of £5m - designed, according to General Manager Robert Parker, for "business people, conference delegates and upmarket tourists." Iain MacFirbhisigh thinks that one of the main tasks ahead for

Because of land shortages and islands. However a 100 betroum hotel is under construction for Novotel UK at Grand Havre Bay in Guernsey and a hotel provid-ing 25 bedrooms and suites has been opened at Guernsey's Bazon Bay as part of the Channel Islands' only timeshare develop-

ment.
Tourism investment mainly takes the form of improving existing establishments. The lar-

private wrangling and much heart searching among members of the local cultural body, i.e. Societe Jensiaise, a 53m extension to the society's museum in St Helier has been given the

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CHEN

Jersey's rich archaeology is finally to go on display

Treasures of the past

sures on island resources.

Construction will be funded by the Jersey Heritage Trust, a government-sponsored body set up in 1980 to co-ordinate historic castles, museums and art galleries.

About three years ago La Societe approached the trust for funds for a new museum on the

Society approached the trust for funds for a new museum on the site of an 18th century wave-house adjoining its existing museum at Pier Road.

The need for a new museum that there were built in safeguards to ensure that are the only true Neander-that professionshillty for storage and a meeting in October archaeological treasures from the prestigious site of La Cotte became imperative as these prestored findings gained in international significance.

Jersey's past and inject a professionalism that only government money could sustain.

They argued that there were built in safeguards to ensure that are the only true Neander-thal remains discovered so far in the British isles. He said: Almost work of the late Professor Charles McBurney with contributions by actenizes from the society and the trust so that proposety and the trust so that proposety and the trust so that proposety and is edited by Drestored findings gained in international significance.

Jersey's government was previous and inject a professionalism that only government was previous and inject a professional archaeological archaeological archaeological archaeological archaeological contributions of a major the British isles. He said: Almost work of the late Professor Charles McBurney with contributions by actenizes from the countries, and is edited by Drestored findings gained in international significance.

Jersey's government was previous attentions of that period have been found at La Cotte as many actual flint implements of the late Professor Charles McBurney with contributions by actenizes from the countries, and is edited by Drestored findings gained in international significance.

Jersey's government was previous attentions of the late special archaeological archaeological museum countries and international such as the site yielded human teeth that are the only true Neander-thal remains discovered so far in the site yielded human teeth only true Neander-thal remains discovered to far in the site of a major that archaeological archaeological arch

go-ahead.

Jersey's parliament agreed last. only if La Societe transferred month to proposals for the new ownership of all its Pier Road properties, apart from its library, is not expected to start until the is not expected to start until the but not the ownership of all the surges on island resources.

Construction will be funded by the Jersey Haritage Trust, a gov-

sentation of the La Cotte site. We are hoping to recreate the cliff face - probably on two floors."

This complex site covers a timescale of a quarter of a million years. Digs have been undertaken periodically ever since 1881 by both local and international archaeologists and a succession of Cambridge undergraduates - Prince Charles among them.

The publication of a major the British lales. He said: "Almost the British lal

Hilary Stuart-Williams, a professional archaeologist appointed last year by the Heritage Trust. Mr Stuart-Williams hopes eventually to fill in empty chapters in Jersey's archaeological history. There are plenty of neolithic sites - and then a long blank until around 1000 AD.

blank until around 1000 AD."
In Guernsey where almost all museums and historic sites have been controlled for some years by the government's Ancient Monuments Committee, new evidence has recently been uncovered about the island history from around 250 BC to 1250 AD. Recent digs in St Peter Port have established for the first time that the harbour capital was a thriv-

established for the first time that the harbour capital was a thriving Roman trading post.

These discoveries coincided with the recovery of a unique Roman wreck from the harbour. The rescue operation was led by Margaret Rule who raised the Tudor warship Mary Rose.

Meanwhile excavations over not only give Guernsey wel-come counter publicity to Jer-sey's long running exposure, through the Bergerac series, but will also fit in admirably become a leading European yachting and power hoating Meanwhile, excavations over four seasons by Ancient Monu-ments at 13th century Castle Cornet, the Island's most trea-

sponsor next month of the International Boat Show at sured historic building, have Earl's Court a \$170,000 invest-ment which it is hoped will bring world-wide publicity for its boating and tourist attracbuilt up a vivid profile of the castle's development from a medieval fortress to a German-held stronghold in the Second

tions.
The island plans to project itself strongly at the show

Guernsey, Ahoy!

trai narour reature recreating the atmosphere of St. Peter Port.
One of the aims is to show off a £20m reclaimation and harbour development scheme, that has included the construction of an 800-berth

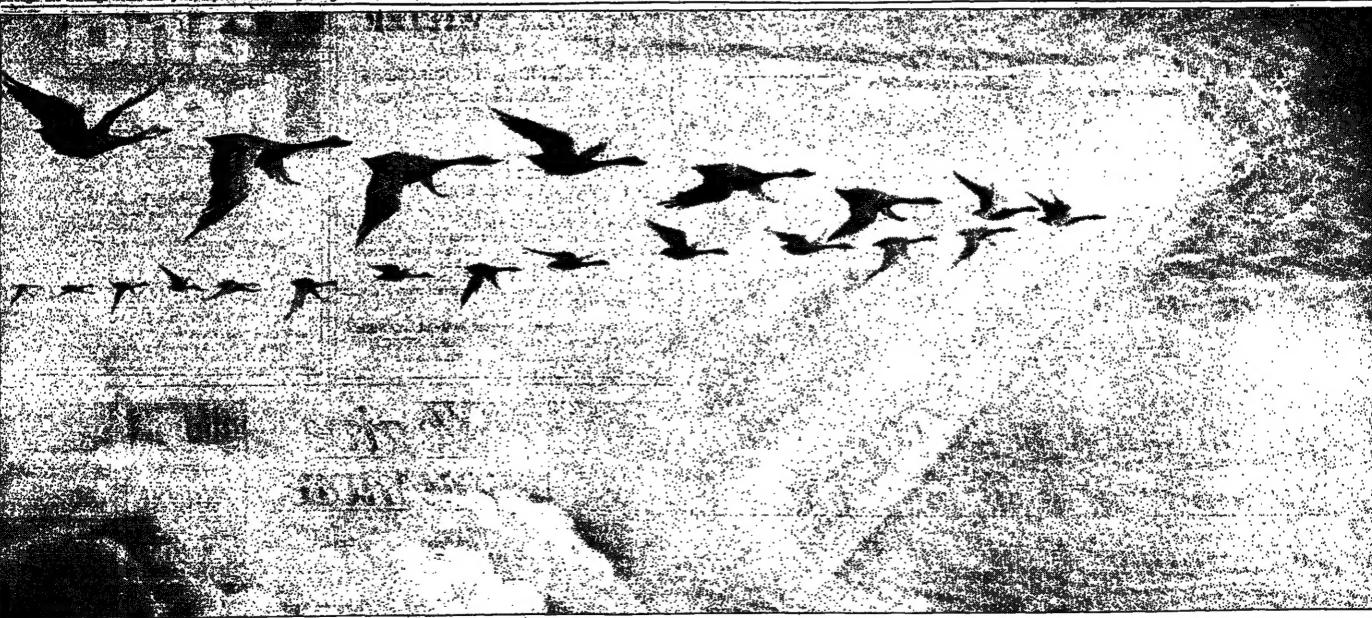
found, St Peter Port now has three marinas extend along a mile of the harbour front and business is booming for the boat yards, ship chandlers and other marine services.

Guernsey is to be the main and other marine services.

Guernsey got its start as a yacht racing resort when the financial services group Schroder, (now N M Schroder) launched an annual race from Cowes in 1982. This year's event attracted over 130

Boat Championships.
This event, for which the Tourist Event, for watch the Tourist Board is putting up \$200,000 which will cost \$500,000 to mount, follows from the island's success since 1984 in organising an annual international power that

boat week.
Some of the world's top
power boat drivers such as
Ronato della Valle and Stefano Casiraghi, husband of
Princess Caroline of Monaco,
have already competed most of the international stars of the sport are expec-ted to converge on the island.



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LOBAL ASSET

CHANNEL ISLANDS 8

Printing industry

Big success in exports

a two, with separate folders to

be bound in one operation using a Muller Martini binding line and the company has installed a four colour Heidelberg Speedmaster

Most of the books printed by

the company's new division are supplied by customers in the form of camera ready copy (CRC) and the division can pro-

are shrunkwrapped and pala-tised for delivery to the UK. The other Guernsey company

colour photographic envelopes and wallets. Their record run to

and some 10 per cent in Europe This makes them one of the lar

gest printers of their kind in the British Isles, he believes.

Guernsey and Lithoprint of Jer-

sey, the company now employs 50 in Guernsey and 20 in Jersey. Since 1982 they have invested

over \$1m in plant, including an eight-unit \$500,000 Didde Web-

com 700 from the US and recently another \$400,000 on a four colour Heidelberg Speed-master. This makes for an eight-

machine "printing fleet."
The Webcom, that Wall likes to keep running 18 hours a day,

seven days a week, has clocked up over 8,000 hours and he

believes that the additional Hel-

delberg will help Channel Print-

ers "stop even more print work being done outside the island."

Books of up to 672 pages can

produce two books at once.

for covers.

OF A bevy of small to medium-sized printing firms in the Chan-nel Islands, all competing to serve the needs of a wide range en-unit, can be run as a five and of insular businesses, only two stand out on the basis of export-

Both are in Guernsey and both have carved out significant marthe UK and Europe by becoming specialists in particular fields.

Export success for the 90-year-old Guernsey Press Co., of Braye Road Industrial Estate,

Vale, has been achieved through the development of a paperback book printing division.

This year the division is expec-

this year the division is expected to produce for export some 8m paperbacks, earning the company in excess of 26m. With existing plant - the company has embarked on a major expansion programme - the maximum capacity is 10m books a year. The company began printing paperbacks in a small way in the

1970s using the spare capacity of their Colour King newspaper press and a Muller Ponybinder to produce up to 1,000 books an Twelve years ago their only

outside customer was Tran-sworld Publishers who are still one of their regulars. More recently they have been joined by Pan, Penguin, Century, Dent, Pluto and Routledge Kegan and

The earlier experience, cou-The earner experience, cou-pled with market research, prompted a decision in 1981 to invest in a purpose-built paper-back book manufacturing opera-

The research showed, according to managing director Chris Sackett, that the cut-off on the company's newspaper press was exactly right for B format paperbacks - the 197 x 128mm size, slightly larger than the standard mass market title and growing in propularity.

opularity.

Sackett says that while the company will take runs as low as company will take runs as low as company will take runs as low as company will take runs as low as company will take runs as low as company will take runs as low as company will take runs as low as company will be attributed the firm's success to their highspeed turn-ground of orders, quality of work and company will take runs as low as 3,000 the average run is of

The company prints the books tage because we are in a VAT on two Colour King webs in zero-rated area. Quite the reverse 64-pp sections with a 578mm we have extra freight costs to overcome, he says. cut-off. The maximum pagination on one pass is 672pp. One of the webs is a two-unit with its own folder and the other, a sev-

waterjet catamaran carrying over 400 passengers will go into service next summer between the UK mainland and the Chan-

The vessel is being built in Sweden by Marinteknik for the Guernsey based company Con-dor which has operated hydro-foils between the Islands and

A NEW design of high-speed

France since 1964.
In its pioneer days, under the direction of Guernsey shipowner Peter Dorey, who was drowned in the 1979 Fastnet yacht race, Condor had to invest heavily in adapting its Italian-built hydrofoils to the conditions of the Foolish Channel English Channel.

Against some experts' predic-tions, this form of transport services was developed linking Guernsey, Jersey, Alderney, Sark, Herm and the French port

This year Condor - now part of Guernsey's Commodore Shipping group - took a step it had been studying for some time by extending its operations to the English south coast. The company's newest hydro-foil, the 200-seat 36-knot Condor

was used to run a daily service between Weymouth and the Islands, reducing the crossing time to half that of a conventional ferry.

to have won export success is Channel Printers, of Place du Commerce, St Peter Port, who specialise in big print runs of full With some 47,000 passengers British Charmel Island Ferrice ship, Corbiere, entering St Peter carried and less than 3 per cent of sailings disrupted by bad weather, the service was successand wallets. Their record run to date is 70m items but 300,000 to 400,000 are more commonplace. Managing director Bill Wall, formerly of Birmingham, says they now command some 35 per cent of this market in the UK. ful enough for managing director
David Norman and his colleagues to look for a much larger
vessel. As no existing hydrofoil
could meet the requirements
they turned to the fast catamadeveloped by the Fairey Formed in 1982 through the merger of Flowline Printers in

rans developed by the Fairey Marinteknik group.

The new vessel will be the first of its type off the production line. It will be larger than any passenger catamaran so far operated in the English Channel and, with a speed of 36.5 knots, considerably fatter. siderably faster. The catamaran will take over

the Weymouth-Channel Islands service in mid-June from Condor 7. The hydrofoil will then be used to run a second daily service from the Dorset port.
The additional service will call

and administration of three days a week at Alderney, giving that island a sea crossing from the mainland of only one hour 40 minutes.

Since Sealink and its competi-tor. Channel Island Ferries, merged their operations to the Islands in late 1986 to form British Channel Island Ferries - a partnership that ended in a legal dispute, leaving Channel Island Ferries in sole control - Guernsey and Jersey have had considera-bly reduced car ferry services.

small, though busy, operation from Torquay run by Torbay Seaways.
For 1988, BCIF is changing its

Transport links

Sea ferries

fight back

schedules to offer more convenient departure times, including a daylight instead of an overnight outward sailing from Wey-As a result of the BCIF dispute.

Sealink was debarred from operating on UK-Channel islands routes for a certain period but kept a presence in the archipelago by running a Cherbourg-Guernsey service last summer Although this was effectively a continuation on one or two days BCiF provides a year-round one-ship service from Portsmouth and a seasonal one-ship service from Weymouth. The only other car ferry link is a unable to offer through Ports-

mouth-Guernsey passages because of the legal embargo From April 16, however, Seal-ink will be free of this restriction and plans to promote the Ports-mouth-Cherbourg-Guernsey route in competition with BCIF's sailings to Guernsey via Jersey.

The chequered history of Channel Islands ferry services in recent years, coupled with more aggressive pricing by the airlines, has ied to a marked swing from sea to air travel. In the first nine months of this year air arrivals in Jersey from Britain were 13 per cent up on 1986 while sea arrivals were 26 per

One factor has been the

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increasing use of Southampton airport, with its improved rail connection with London, as a departure point to the Islands.

Traffic through Southampton

jumped dramatically this year with British Air Ferries/Guernsey Airlines moving on to the route in competition with the previous sole operator, Air UK. Both airlines operated up to five

flights daily.

BAF/Guernsey Airlines offered a "no strings" £29 single fare and Air UK countered with a Skylink fare, bookable the day before travel, of £25 single (since produced to £10).

reduced to £19).

There is little doubt which airline won the Southampton battle. When BAF sold its Guernsey. airline subsidiary three months ago to the group controlling the inter-island carrier Aurigny Air Services, the new owner dis-carded the Southampton service as unprofitable. Air UK was able to announce a big increase in its

carryings.
Meanwhile Air UK has doubled capacity between Heathrow and Guernsey by introducing one of its two new 100-seat BAe 146 commuter jets on the route this

commuter lets on the route this month, in place of the previous 52-seat F27 turbojets.

Cutting the flight time from one hour to 45 minutes, this is the first jet service to Guernsey from the UK mainland although the Dutch airline NLM has been operating F28 jets to the island from Amsterdam for several Last month British Air Ferries

suddenly announced that it was ending all its scheduled and charter passanger flights to the Channel Islands and would concentrate in future on freight

operations.

Only a few months ago the group had been claiming to be the largest air carrier into the islands with flights from over a dozen British airports as well as a service from Zurich and Geneva.

As the secon progressed how.

As the sesson progressed how-ever, it became increasingly evident that BAF's resources and finances were being overstretched, so last month's announcement was not the shock it would have been a year ago. The local tourist industry was grateful at least that it had been made in time-for other airlines to apply for BAF's routes next season and for tour operators to make alternative charter

Guernsey's main concern was over the loss of the Zurich ser vice, which for the first time enabled Swiss travel firms to offer direct flights to the island. Jersey was less worried because a new airline States Express plans to link the island from next April with Geneva and Zur

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Edward Owen

Traffic congestion

An ungrasped nettle

CHANNEL ISLANDERS are so attached to their cars that doing something about the ever rising level of car ownership is a nettle

ferred not to grasp.

The volume of traffic - particularly in St Helier and St Peter Port - is the most common target for complaints from tourists, even among the thousands who ship over or hire cars and (according to local motorists) help to create the problem.
This year, however, Guernsey's,
parliament agreed to dishand its
long established Passenger

Transport Licensing Authority to make way for a new Traffic Committee with much wider powers and more staff.

The committee's mandate is to

The committee's mandate is to overview the whole problem from parking to public transport, road improvements to traffic flow. Under the presidency of retired bank manager Alan Barber, it will produce a plan every better the strategies out the strategies. ber, it will produce a plan every three years, setting out its strategy for the next six years. Each new plan will update the second part of the previous plan and project a further three years. In his initial report Mr Barber said that the basic problem was that there were too many vehicles using an ancient road system, but the committee had rejected wholesale road widening as a way of cooing with the

as a way of coping with the motor age. "It is more reasonable that drivers should conform with the environment than that we should unduly alter the environ-ment to accommodate the vehi-

went to accommodate the ventrices."

With a population of just over 80,000 in 45 square miles, car registrations in Jersey up to October this year stood at 57,490. About 10,600 of these were hire cars of which only 5,600 were estimated to be in circulation at any one time.

any one time.

In Guernsey (population 55,480) there are about 30,000 private cars, including 5,000 hire cars, to weave through 25 square miles of roads. The speed limit is 35 mph against Jersey's 40 mph.

The larger island (unlike Guernsey where there are none) has already built several multistorey car parks in St Helier. During a heated debate on the traffic problem in the island parliament last month (November)

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rey car park to be built on a former gas works site rather than a housing development. They also agreed that the island should have its first underground car park at a cost of \$9m. Although an amendment to "decrease commuter traffic" was

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heavily defeated, the authorities are looking at ways of develop-ing the bus service to reduce the Too many vehicles on

an ancient road system

number of cars on the road. An sperimental scheme centred on St Helier and using four differ-ent minibus models is planned

for early next year.

Jersey expects to introduce enabling legislation soon to put a ceiling if necessary on the number of hire cars coming into the island. Meanwhile operators are now required to provide parking space for 75 per cent of their car hire fleet.

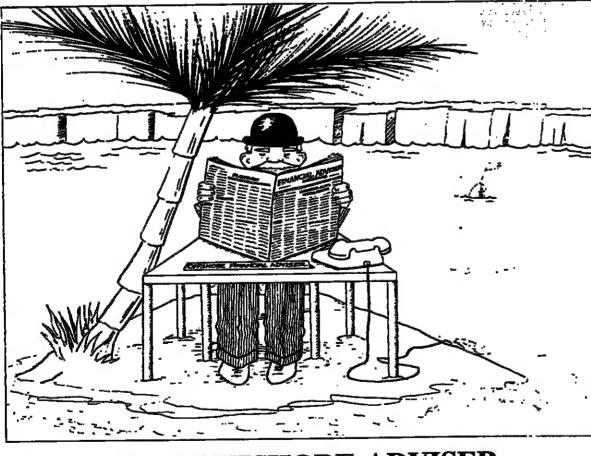
in Guernsey legislation already exists to curtail the import of hire cars if ever this becomes necessary. But there are no specific controls on operators over parking. Since 1984 car manufacturers

have been leasing fleets to island operators for three month peri-ods at favourable rates. The vehicles are afterwards shipped back to the UK and sold on the lucrative low-mileage second hand market.
As a result, Guernsey has prob-

ably the lowest car hire rates in the world with a group A model such as an Austin Metro available at under \$4 a day in the off peak season. Jersey's rates this year for group A vehicles have been around \$6.25 a day off peak and \$9 in the peak season.

Guernsey's Traffic Committee

has just completed a survey of the car hire scene. It recommended no action at present to reduce the volume, but said that the parking situation should be watched carefully. The report reveals that car hire business was worth about \$300,000 a year in motor tax.



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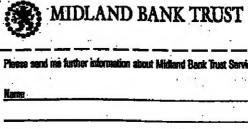
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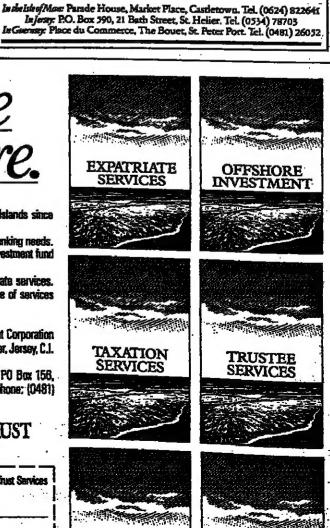
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